

2015-16

# Annual Report



Transport  
for NSW

Transport for NSW  
Volume 1



**Transport for NSW**

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## Letter to Ministers

The Hon. Andrew Constance  
Minister for Transport  
and Infrastructure

The Hon. Duncan Gay  
Minister for Roads,  
Maritime and Freight

Parliament House  
Macquarie Street  
Sydney NSW 2000

Dear Ministers

I am pleased to submit for presentation to Parliament the Annual Report for the Department of Transport for the financial year ended 30 June 2016.

The annual report for the Department of Transport includes the annual report for Transport for NSW for the financial year ended 30 June 2016.

The annual reports have been prepared in accordance with the *Annual Reports (Departments) Act 1985* in respect of the Department of Transport and the *Annual Reports (Statutory Bodies) Act 1984* in respect of Transport for NSW. Inclusion of the annual report in respect of Transport for NSW is authorised by Section 3L of the *Transport Administration Act 1988*.

Yours sincerely



**Tim Reardon**  
Secretary,  
Transport for NSW



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# 1 Foreword



Our 2015-16 customer satisfaction results show we are on the right track. Satisfaction has improved across all public transport modes with some significant increases in the things that are really important to our customers including timeliness, cleanliness and safety and security. Since we began surveying our customers in 2012, satisfaction has increased across all modes. In particular, satisfaction with Train services increased by seven percentage points and satisfaction with Bus services increased by four percentage points.

In 2015-16 we have put in place a customer satisfaction survey to get better insights for our road and active transport customers. Initial results show high levels of satisfaction for our private vehicle and motorcycle customers, in addition to active transport. We have further work to do for our heavy vehicle customers and we have a substantial current and forward program to help lift performance in this area.

As we deliver new infrastructure and services, our day job of serving the millions of customers who use the transport system remains important to us above all else. We continue to put customers at the centre of everything we do, working with transport operators to meet their needs as well as the needs of businesses, residents and visitors.

Transport for NSW, together with its public and private partners, are delivering over \$41.5 billion in infrastructure projects over the next four years. Delivery, be it across infrastructure or services, continues to shape interaction with our customers.

Across Transport we are well into the delivery phase on some major, transformative projects including Sydney Metro, CBD and South East Light Rail, Newcastle Light Rail, Northern Beaches B-Line, WestConnex, NorthConnex and the Pacific Highway upgrade.

In many cases we're retrofitting infrastructure through congested urban areas and that means an impact on our customers and the community. To minimise impact we're taking a coordinated approach to project delivery, keeping people informed every step of the way and providing plenty of transport options and choices to keep customers and businesses moving.

Over 2015-16 we have continued to focus on ensuring on-time and reliable services move and connect customers across our public transport and road networks. Customers expect transport services to be reliable no matter what mode they choose. Our performance reflects improved reliability across Sydney Train services and together with ferry and light rail we are now exceeding target service performance levels. Improvements are being rolled out to lift performance for NSW Trains and Bus customers in the coming year.

On the road network, we now have in place a journey time reliability measure, which in simple terms sets a target for 9 out of 10 journeys to be 'on time'.

Safety for customers and our people remains paramount. Over the year we rolled out a number of initiatives to improve safety for drivers, pedestrians, bicycle riders and motorcyclists on our roads, public transport network and waterways. These programs include Towards Zero which aims to achieve zero deaths and serious injuries on NSW roads. This will take ongoing dedication but we are taking the necessary steps to continue making our roads safer.

The application of new and emerging technologies to transport has also gathered momentum over the past year. The Future Transport Summit held in April 2016 brought together thought leaders, technology specialists, innovators, entrepreneurs, futurists, transport leaders and academics to help us find new ways to use technology and innovation to deliver better transport outcomes. Our ongoing program of work is focused on engaging and partnering with the tech industry, leveraging the ideas of our people and bringing in new thinking. Supporting this program of work, establishment of the NSW Smart Innovation Centre was announced in April 2016, which will act as a technology hub and incubator for commercial and academic partners.

There are a number of integrated transport and land use plans in place including the State Infrastructure Strategy, the Long Term Transport Master Plan and the Plan for a Growing Sydney. We have built close relationships with the Greater Sydney Commission, Infrastructure NSW and Infrastructure Australia and will continue to work together to refresh our strategic rationale for the future.

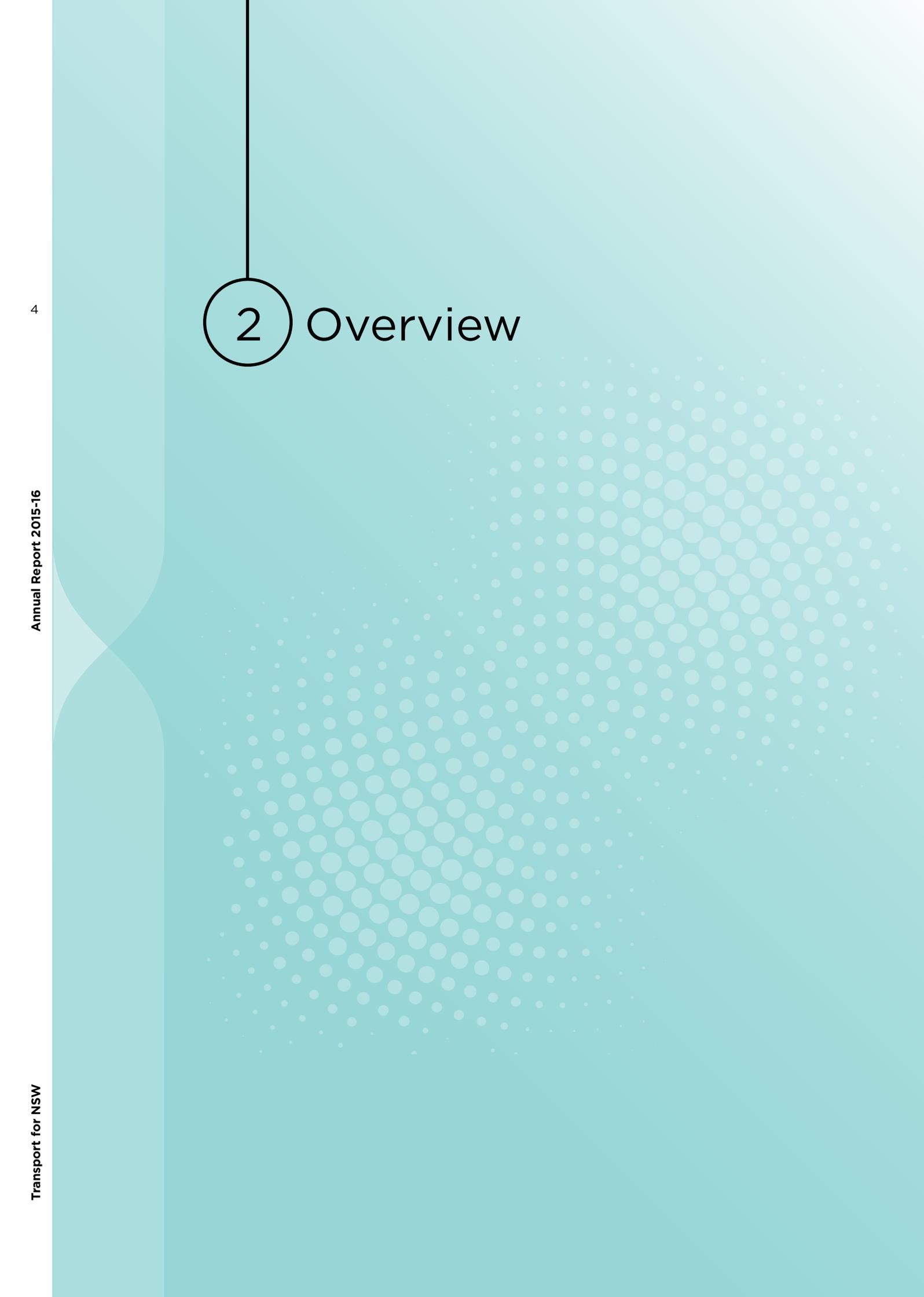
Our ability to achieve all of this work relies on our team of people across the cluster, and I'd like to think that we'll look back on 2015-16 as the year in which we started to shift the dial on diversity at Transport.

Creating a diverse, flexible and respectful workplace and increasing the representation of women and Aboriginal people in Transport is something I'm passionate about. During the past year we have started to embed these priorities in the way we work.

As the Secretary, I am very proud to lead the agency and the Transport cluster at a time when we are making a significant difference for the people and the economy of NSW.



**Tim Reardon**  
Secretary



2 Overview

## 2.1 About Transport

Transport affects the lives of millions of people every day.

It's how we get to work and school and how we connect with family, friends and all the great social, cultural and leisure activities NSW offers. It helps our economy grow, moves the products we use every day and supports businesses to provide the services we need.

That's why we're passionate about shaping and managing a connected transport system that makes NSW a better place.

### Department of Transport

The Department of Transport is the principal department in the NSW Transport cluster.

It is the main source of advice on portfolio matters to the Minister for Transport and Infrastructure and the Minister for Roads, Maritime and Freight. The Department's advisory role includes developing high level policy.

### Transport for NSW

Transport for NSW is the lead agency of the NSW Transport cluster. Our role is to lead the development of a safe, efficient, integrated transport system that keeps people and goods moving, connects communities and shapes the future of our cities, centres and regions.

We are responsible for strategy, planning, policy, regulation, funding allocation and other non-service delivery functions for all modes of transport in NSW including road, rail, ferry, light rail, point to point, regional air, community transport, cycling and walking.

We focus on improving the customer experience and contract public and private operators to deliver customer-focused transport services on our behalf. This enables transport operators to focus on delivering the highest standard of services to customers.

We also lead the procurement of transport infrastructure and oversee delivery through project delivery offices and industry delivery partners.

During 2015-16, Transport for NSW managed a multi-billion transport infrastructure investment program with a focus on delivering new infrastructure and growing existing public transport services and networks and worked in partnership with other transport agencies to maintain more than \$119 billion worth of assets.

## 2.2 Our structure

The Transport for NSW Executive comprises the Secretary of Transport, five Deputy Secretaries, two Project Directors and the CBD Coordinator General. The organisation chart is presented on page 52 of this report.

### Five divisions and an Office:

- Freight, Strategy and Planning
- Infrastructure and Services
- Customer Services
- Finance and Investment
- People and Corporate Services
- Office of the Secretary.

### Three project delivery offices:

- Sydney Metro Delivery Office
- Sydney Light Rail Delivery Office
- CBD Coordination Office.

## 2.3 What we do

### Freight, Strategy and Planning Division

- Develops strategy, policy and planning for freight, public transport, maritime, active transport and roads networks.
- Manages safety and standards for Transport for NSW.
- Consolidates transport data collection, model development, modelling and customer research and surveys for continuous service improvement.

### Infrastructure and Services Division

- Provides integrated planning, development, delivery and contracting transport services valued by customers.
- Transforms strategy into safe, efficient, effective and valued transport services.
- Delivers key infrastructure projects across the transport network.

### Customer Services Division

- Focuses on the customer and their journey experience.
- Produces communications materials, marketing, behavioural and education campaigns.
- Manages public affairs, stakeholder and community engagement, including support to projects.
- Delivers customer relations and provides government services.
- Manages pricing and revenue.

### Finance and Investment Division

- Provides financial and management accounting for budget control.
- Facilitates investment governance and holds an assurance role in decision-making.
- Provides commercial capability to support high value, complex projects and service models.
- Manages transactions and supports commercial development opportunities for public transit real property.

Mosman Bay Ferry Wharf.



## People and Corporate Services Division

- Responsible for human resources, legal services and governance, organisational development, information technology, shared services and information and investigative services across the Transport cluster.
- Drives organisational efficiency by developing, implementing and continuously improving business systems and processes.
- Drives organisational change to enable the delivery of major infrastructure and transformation programs.

## Office of the Secretary

- Provides business and administrative support and performance reporting services.
- Undertakes analysis of complex issues and provide consultative services to the Secretary and the Transport cluster with strategic, timely advice.
- Oversees the development and execution of the Transport for NSW corporate planning framework.
- Delivers an audit and risk framework that ensures effective and efficient business operations.

## Sydney Metro Delivery Office

- Leads development of Australia's first fully-automated metro rail system which will operate from Rouse Hill in Sydney's north west, through Chatswood to the Sydney CBD and on to Bankstown.

## Sydney Light Rail Delivery Office

- Responsible for driving delivery of the CBD South East Light Rail project along a 12 km network from Circular Quay to Randwick and Kensington via Central Station.
- The project will be delivered, operated and maintained by a private operating company appointed for the Sydney Light Rail network as part of a Public Private Partnership (PPP). The PPP contract has been awarded to the ALTRAC Light Rail consortium.

## CBD Coordination Office

- Oversees traffic and transport as the Sydney CBD is transformed by various major transport projects and property redevelopments.
- Single point of accountability which has the authority and capacity to make decisions quickly in response to changing conditions during construction.
- Ensures urgent and coordinated responses by the Transport Management Centre and Roads and Maritime Services to traffic incidents.
- Provides CBD-related customer information and communications.

## 2.4

## Organisations in the Transport cluster

The Department of Transport is the principal body of the Transport cluster. The cluster also includes the following Statutory Bodies:

- NSW Trains
- Sydney Trains
- Rail Corporation
- State Transit Authority
- Roads and Maritime Services
- Sydney Ferries
- Transport for NSW.

WestConnex Delivery Authority ceased to be a Statutory Body during 2015-16.

The Independent Transport Safety Regulator and Office of Transport Safety Investigations are independent agencies within the Transport cluster that produce their own annual reports. Port Authority of NSW, which is also a part of the Transport cluster for annual reporting purposes, is a State Owned Corporation.

## 2.5 Strategic direction

### Our Purpose

To make New South Wales a better place to live, do business and visit, by managing and shaping the future of the whole transport system

Our purpose and accountabilities guide our initiatives and programs across Premier's and State Priorities, Transport Charter, Transport for NSW Corporate Plan, *Connecting NSW* and the NSW Long Term Transport Master Plan

### Premier's and State Priorities

We're making a valuable and significant contribution to the Premier's and State priorities.

Transport plays a key role in achieving the Premier's priorities of *Key infrastructure projects to be delivered on time and on budget across the State* and *Improve customer satisfaction with key government services every year, in this term of government*.

We are ensuring that infrastructure projects provide us with the platform to deliver better customer service outcomes, and this is reflected in our ongoing strong customer satisfaction results. Key transport infrastructure projects include Sydney Metro, Sydney Light Rail, WestConnex, NorthConnex, and the Pacific Highway that will help transform our State, assisted by ensuring they are delivered on time and on budget.

### Our State Priorities include:

#### 90% OF PEAK TRAVEL ON KEY ROAD ROUTES IS ON TIME.

To ensure consistency of journey times on key roads continues to improve, we are working to make better use of existing road infrastructure, build extra road capacity and encourage commuters to use public transport and undertake off-peak travel more often. This will enable business and the community to move around the city with greater ease, reducing travel times and business costs and boosting productivity.

#### MAINTAIN OR IMPROVE RELIABILITY OF PUBLIC TRANSPORT SERVICES OVER THE NEXT FOUR YEARS.

Public transport services in Sydney are crucial in getting customers to their destinations.

Although Sydney is undergoing a large amount of infrastructure construction, we are working to ensure that public transport services continue to run on time.

#### REDUCE ROAD FATALITIES BY AT LEAST 30 PER CENT FROM 2011 LEVELS BY 2021.

The Government is committed to making NSW roads the safest in the country. While NSW has seen significant improvements in the level of road trauma over time, road crashes are still a leading cause of death for people under 44 years of age. *Towards Zero* was launched in May 2016, signifying the importance of ongoing dedication to reduce road fatalities and injuries.

## Transport Charter

In August 2015 the Transport cluster adopted a single Transport Charter which included a commitment to work as one organisation to deliver the right transport outcomes for NSW.

The Charter recognises that transport is central to the lives of every person in NSW every day and is the lifeblood of the State's economy.

The Charter sets out six high-level strategic priorities:

1. Delivering an infrastructure program of significant scale.
2. Optimising the integrated movement of people and goods.
3. Refreshing our long-term strategic planning framework and aligning work programs to it.
4. Leveraging emerging technology to better serve customers and enable the business.
5. Innovating our financial model to be a more sustainable business.
6. Building the capability of people and systems to support deliverables.

These priorities provide a cluster wide strategic focus on the same goals and stronger partnerships that enable us to work more effectively together while we deliver a record era of investment and growth in transport infrastructure and services.

In recognition of their importance, we have used these priorities to structure the TfNSW Annual Report.

## Connecting NSW

In June 2016 Transport for NSW released a new five-year Corporate Plan, *Connecting NSW*.

The Plan builds on our purpose to make NSW a better place by shaping and managing a connected transport system and our continued commitment to always putting the customer at the centre of everything we do.

It details our high level strategies and priorities for achieving our purpose and provides direction for our detailed delivery and operational processes.

Importantly, *Connecting NSW* recognises our commitment to creating a culture where employees are valued, inspired and supported and the importance of building a workforce that is empowered, agile, innovative and diverse.

The strategic priorities included in our plan align with the Transport Charter and are:

### TRANSFORMING TRANSPORT

Making NSW a better place by supporting economic growth and shaping its cities, regions and communities.

### DELIVERING EVERY DAY

Transport makes a difference to the lives of millions of people every day. While the transport system of the future is built, the focus remains on getting it right for customers day-to-day.

### LEADING INNOVATION

Innovative thinking and ways of doing things are applied to all aspects of transport, with the right people, processes and systems in place to support delivery.

## Long Term Transport Master Plan

The Master Plan presents the NSW Government's 20-year vision for the delivery of a world-class public transport, roads and freight network to the State. The plan guides the NSW Government's transport funding priorities and provides the overall framework for how our transport system develops, whether it is the services that are delivered or the infrastructure that underpins them.

Since being released in 2012, Transport has continued building and planning key transport projects across the State. Construction of the new South West Rail Link finished ahead of schedule and under budget; delivery of Australia's largest public transport project Sydney Metro Northwest has continued with substantial progress achieved including completion of tunnelling; the Inner West Light Rail Extension from Lilyfield to Dulwich Hill has opened; delivery of WestConnex has progressed including substantial work on Stages 1 and 2; delivery of NorthConnex has progressed; opened the Hunter Expressway and more sections of the Pacific and Princes Highway motorway projects; and moved into the delivery phase of the CBD South East Light Rail project.

Supporting infrastructure delivery, the Opal card has now been rolled out across the transport network with rapid customer uptake and use. The Opal card is an easy, convenient way of paying for your travel on public transport. It's the only card you'll need to get around on all public transport including trains, ferries, buses and light rail.

**COLLABORATION**

**INTEGRITY**

## Living our values

Making Transport for NSW a truly values-driven organisation is about every person behaving in accordance with our values every day.

Our values define the character of our agency and guide our decision making and behaviour. They are the standards we set for interactions with our customers, the community and our stakeholders; the way that we work with each other every day; and the principles we expect to see upheld by our partners in the Transport cluster.

We are a values-driven organisation, using our values to recruit our people, to guide our performance and recognise our successes, and as the cornerstone of our shared culture across the Transport cluster.

The Transport Charter also recognises that respectful internal relationships and productive work practices will allow information to be shared and innovation to flourish.

**CUSTOMER  
FOCUS**

**SOLUTIONS**

**SAFETY**



3 Our performance

## 3.1 Operational performance

### Customer satisfaction with public transport (%)



Train  
**88%**  
 3 year change  
**↑+7**



Bus  
**89%**  
 3 year change  
**↑+4**



Light Rail  
**96%**  
 3 year change  
**↑+2**



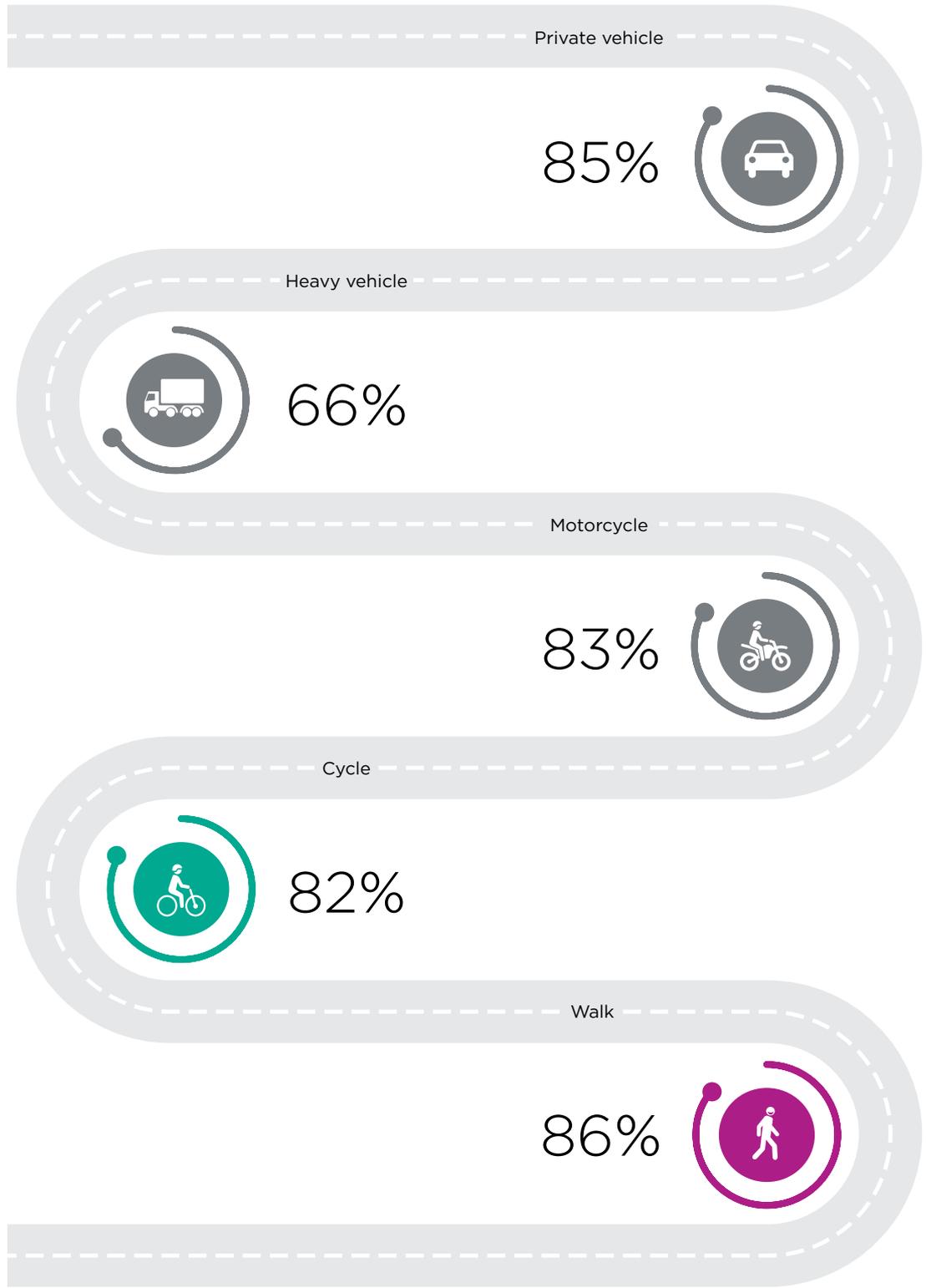
Ferry  
**97%**  
 3 year change  
**↑+2**



Taxi  
**81%**  
 3 year change  
**↑+2**

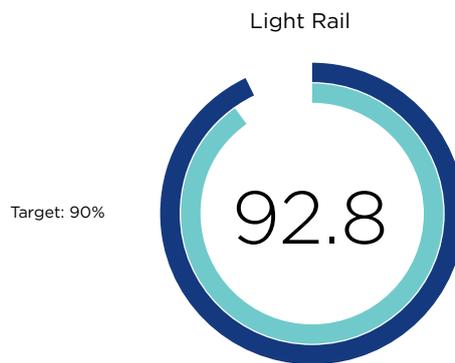
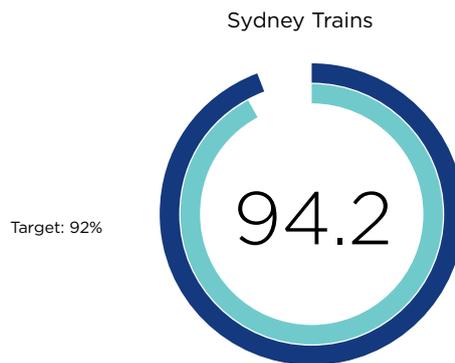
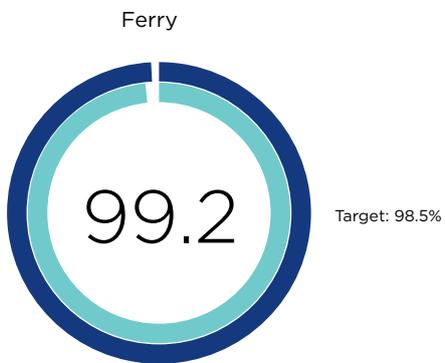
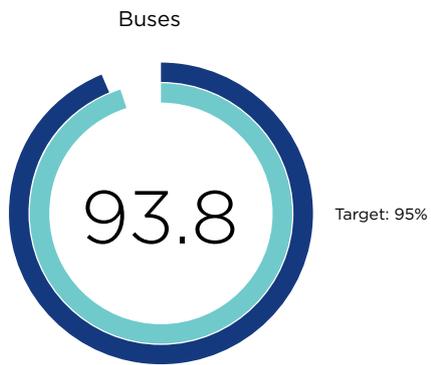


## Customer satisfaction with roads (2015-2016, %)



## Public transport reliability

**KEY**  
ACTUAL ■  
TARGET ■



## Journey time reliability



Travellers on the road network expect consistent travel times. They want to know that a trip will take half an hour today and half an hour tomorrow so that they can plan

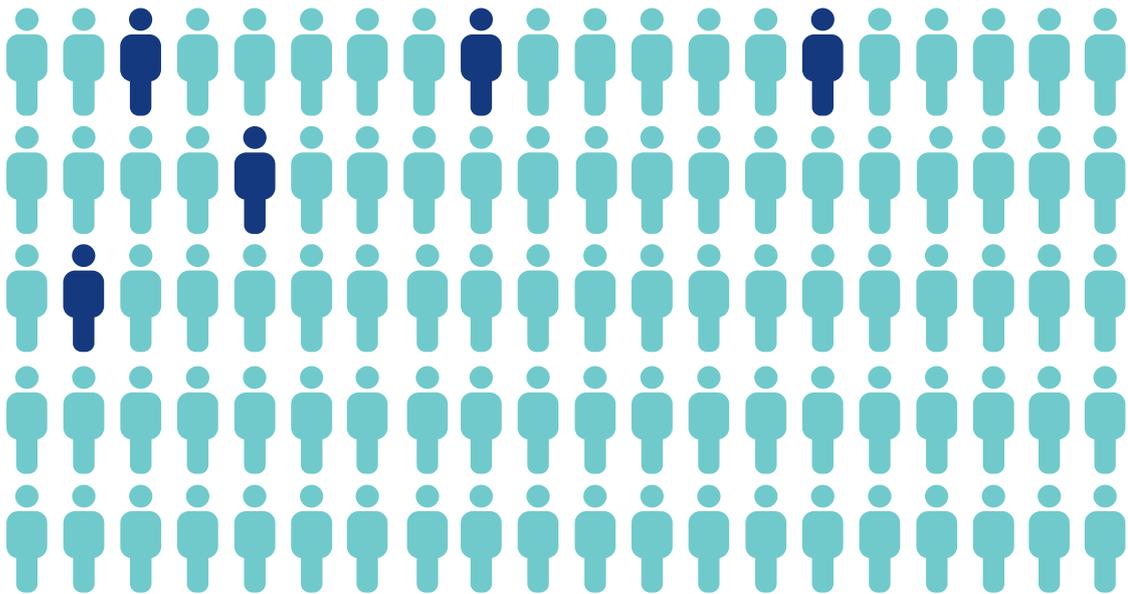
their journey and arrival at their destination. Journey Time Reliability measures the reliability of travel on our road network. Our target is 90% of journeys to be reliable.

## Road safety

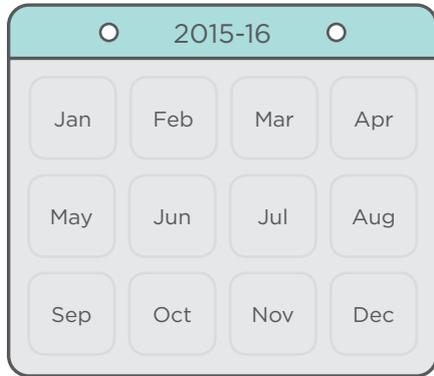
# 5.1 per 100,000

Population fatality rate on our roads.

Our target is to reduce road fatalities by at least 30% from 2008-2010 levels by 2021.



## Journeys



676m

Public transport journeys in 2015-16  
(rail, bus, ferry and light rail)



11.9m  
per weekday

Road journeys per weekday in the  
Greater Sydney Metropolitan region

Yelgen to Chinderah Motorway.

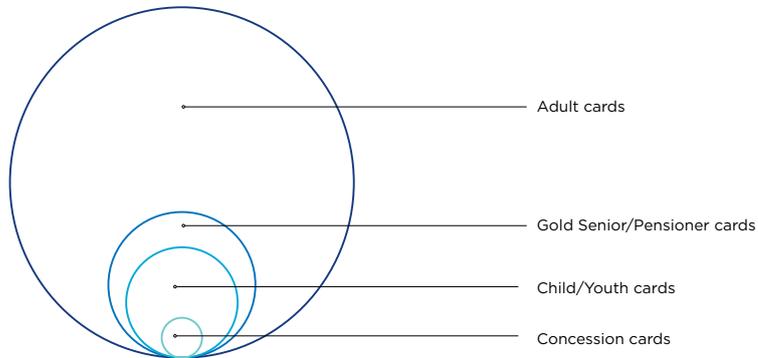


## Opal cards



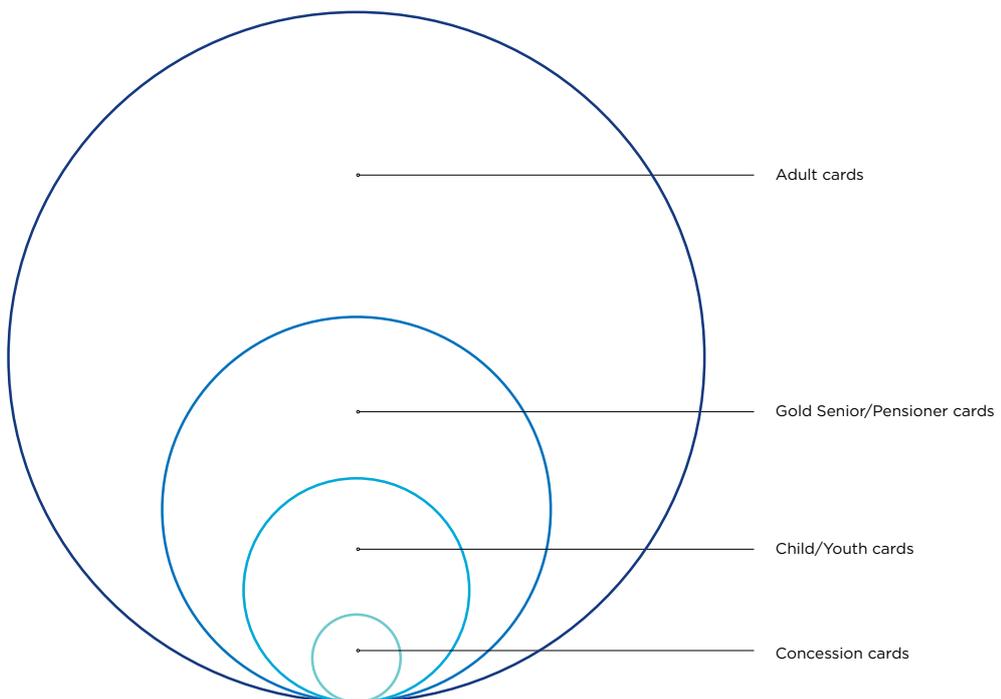
June  
2015

3.2 million Opal cards  
8 million trips/week



June  
2016

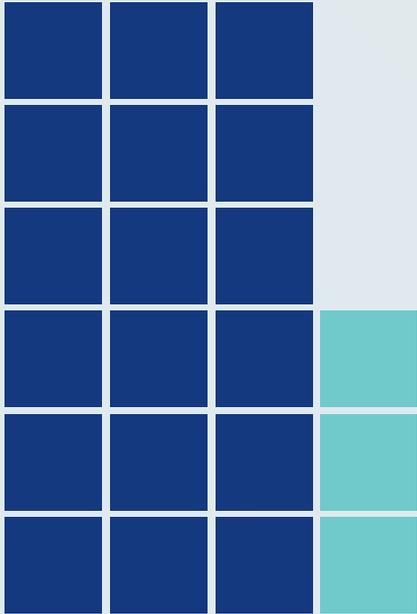
7.7 million Opal cards  
13 million trips/week



Port of Newcastle

### Freight (million tonnes)

In 2015-16, the total exports and imports through the three key ports of NSW, Port Botany, Port Kembla and Port of Newcastle, is estimated at 180 and 33 million tonnes respectively.



Total exports:

180 million

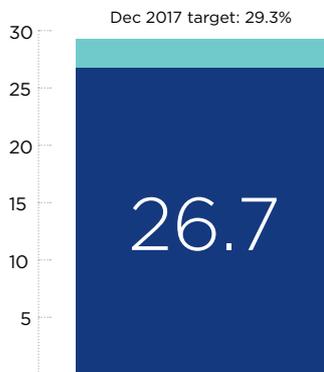
Total imports:

33 million

Port Botany

Port Kembla

### Diversity & inclusion (%)



TfNSW Women in leadership



TfNSW Aboriginal representation

We strive to improve the gender balance and Aboriginal representation within our leadership team so that it is more reflective of our customer base. We believe this will help us to develop a culture which is more customer focused and innovative that attracts talented and diverse employees.

### Active transport (kms)

40kms off road construction

# 70 kilometres

of cycleway projects delivered



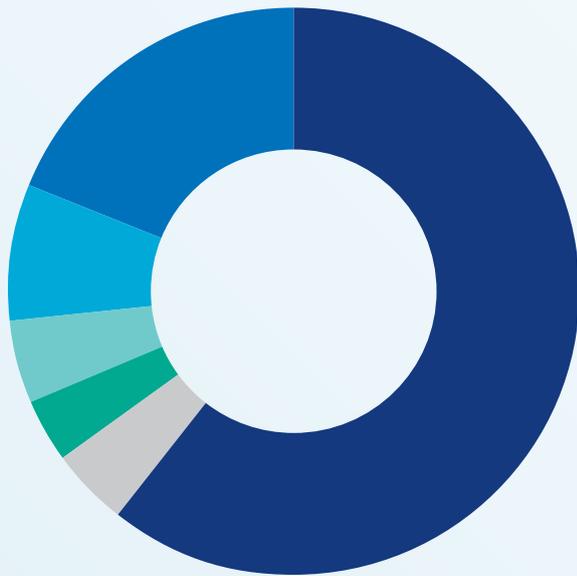
30kms on road construction

## Social media customer engagement

Facebook

Total page 'LIKES'

302,647

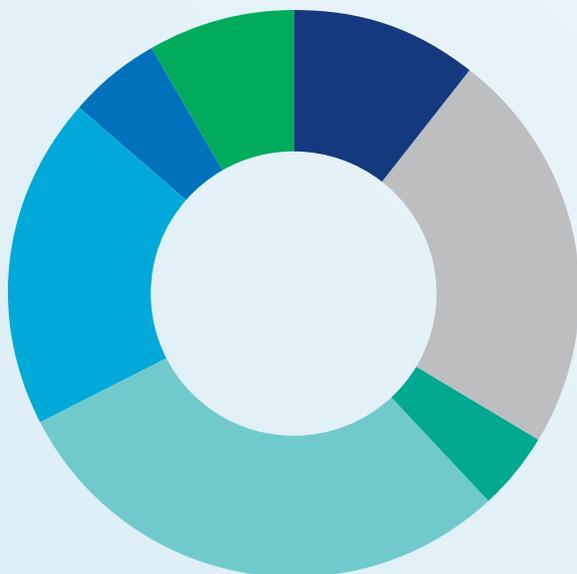


- Live Traffic NSW
- Sydney Metro
- Sydney Light Rail
- NSW Maritime
- NSW Public Transport
- Road Safety NSW

Twitter

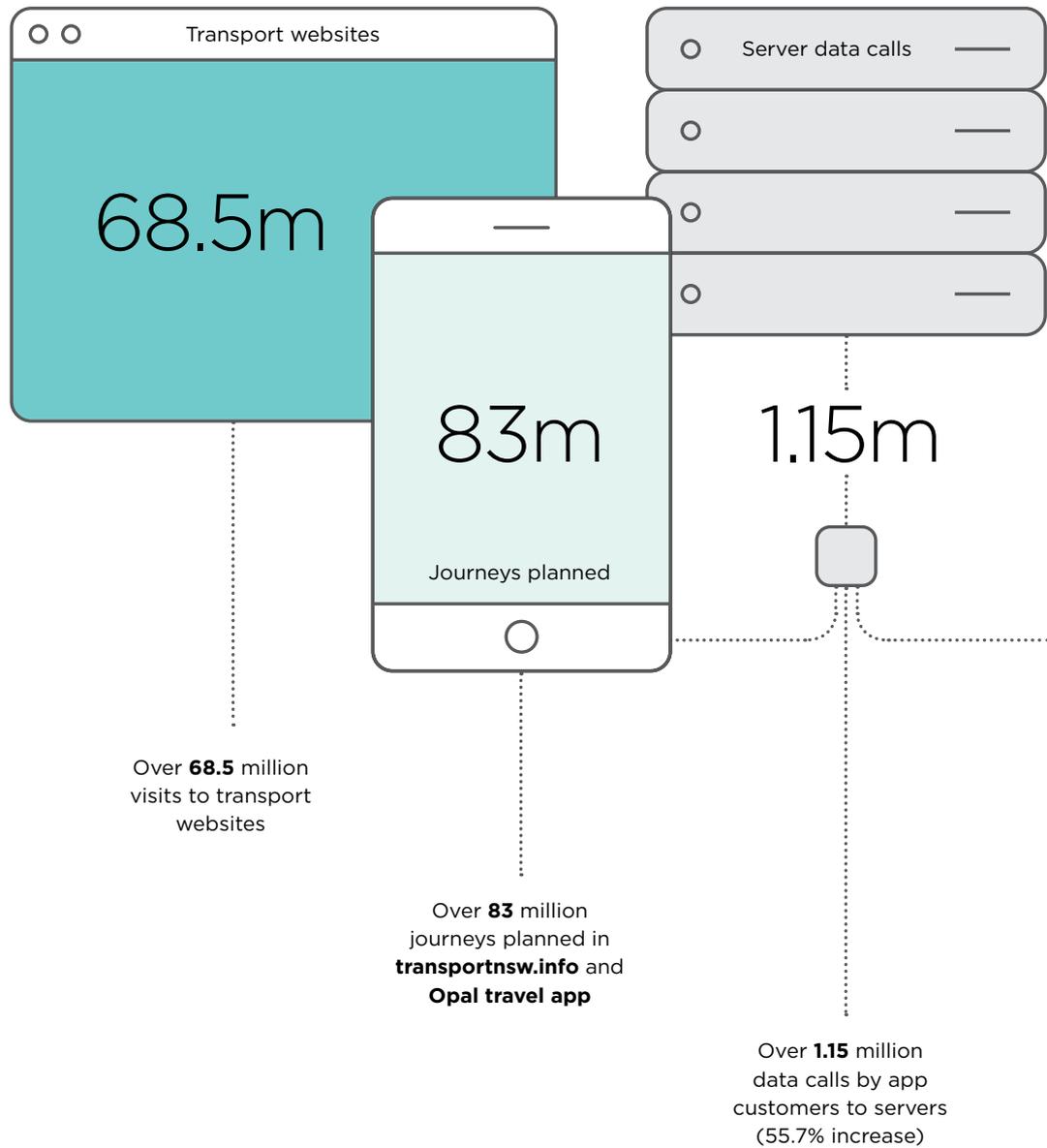
Total page FOLLOWERS

215,359



- BusesInfo
- TrainsInfo
- FerriesInfo
- LiveTrafficSyd
- LiveTrafficNSW
- Buses (N, NW, E, IW, W, SW, S)
- TransportforNSW

## Digital impressions (millions)

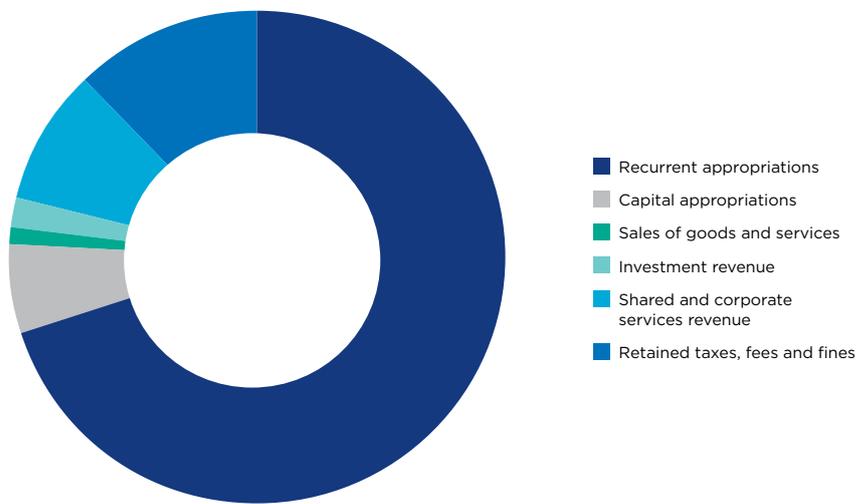


## 3.2 Financial performance

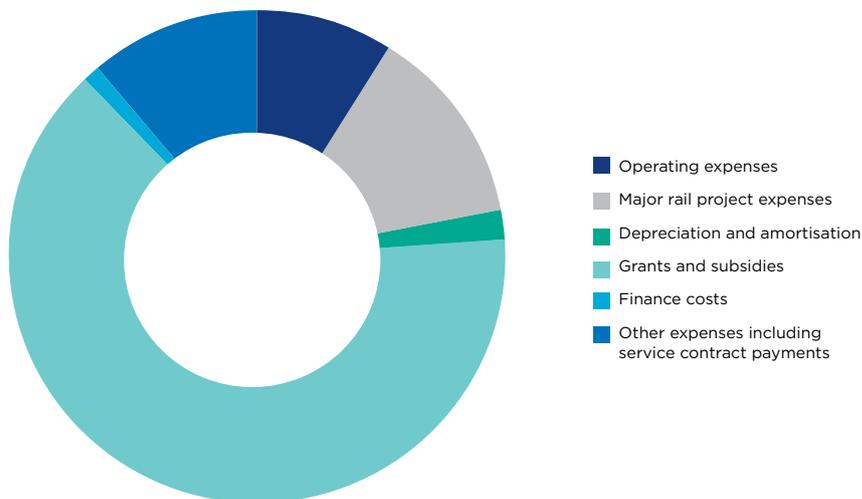
Transport for NSW's net result for the year ended 30 June 2016 was \$952 million [2014-15:\$464 million]. Transport for NSW received revenues of \$13.3 billion, while total expenses of \$12.2 billion were incurred in operations, depreciation, grants and subsidies, financing costs and other expenses.

Other comprehensive income for the year of \$82.6 million includes an asset revaluation surplus of \$82.1 million.

### TfNSW total revenue 2015-16



### TfNSW total expenses 2015-16



## 3.3 Performance highlights

### Targeting regional road safety

Improving road safety and working *Towards Zero* is one of the most important things we can do for the people of NSW. As we work towards achieving this objective we continue to place a strong focus on road safety in regional and rural NSW.

Just like their city counterparts, young drivers in regional and rural areas are significantly more likely to be involved in a crash than older drivers. To help change this we provided Safer Driver training to almost 10,000 young drivers from regional and rural NSW during 2015-16. These drivers made up 43 per cent of all participants in the program.

We also partnered with Roads and Maritime Services to deliver targeted road safety programs for Aboriginal communities in regional areas, including:

- Supporting Aboriginal and disadvantaged people across 37 regional and rural communities to get their driver licence through the Driver Licensing Access Program.
- Delivery of 600 child car seats and fitting programs across NSW.
- Delivery of 60 bicycle safety programs in 50 Aboriginal communities across NSW.
- Supporting young Aboriginal males from regional and remote NSW who had taken part in Transport for NSW road safety workshops to attend the Adam Goodes Talent Program.

### Sydney Metro Skytrain

The skytrain takes Sydney Metro Northwest between ten and thirteen metres above ground for four kilometres between Rouse Hill and Bella Vista. The skytrain includes two new elevated railway stations at Kellyville and Rouse Hill. A landmark 270-metre long cable stayed railway bridge over Windsor Road at Rouse Hill also forms part of the skytrain. This is similar in design to Sydney's Anzac Bridge.

The skytrain has been developed, in response to community consultation, to help reduce construction impacts of Sydney Metro Northwest on motorists and the community. The design also means that any future upgrade of the Windsor and Schofields road intersection will not be impacted by the operation. It also minimises impacts on local flood plains.

The skytrain is a critical part of the Sydney Metro Northwest, improving access to jobs and services for existing communities and new growth areas in the north west of Sydney.

Rail infrastructure elements such as acoustic sound walls, downpipes and lighting have been incorporated into the design holistically and in a way that can be successfully maintained. For instance, noise attenuation features along its length are an integral part of the design.

### Continuing the Opal Card Roll-Out

By June 2016, two million people were taking around 50 million public transport journeys a month using the Opal electronic ticketing system, accounting for 95 per cent of public transport's patronage.

During the 2015-16 year we rolled out 355 Opal top up machines across the network.

The Opal Travel smartphone application was updated with a new 'top up on the go' feature to provide further top up options and was downloaded in record numbers.

We also launched new Opal card products. A concession Opal card for tertiary students was extended to smaller tertiary institutions as well as TAFE students and apprentices who, for the first time, have access to concessions for all travel, not just between their homes, workplaces and places of training.

The School Opal card was introduced, providing eligible school students with free travel between home and school. Some 355,000 school students across more than 2000 schools have received Opal cards and coverage was extended to light rail in July 2016 so eligible students can now travel free across all public transport modes.

## Keeping visitors to Vivid moving

Vivid is the largest festival of its kind anywhere in the world and one of the most important events on the Sydney tourism calendar. It is also a very challenging time for Transport.

In May and June 2016, festival-goers participated in creative industry forums, marvelled at spectacular light installations and attended contemporary music performances. For the first time Vivid expanded to include sites at Circular Quay, the Royal Botanic Garden, Walsh Bay, The Rocks, Martin Place, Darling Harbour, Mosman, Parramatta and Chatswood, and a new record was set with 2.3 million people attending the 23-day festival.

The safe and seamless movement of so many people was the result of many months of collaboration between Transport, Destination NSW, City of Sydney, Department of Premier and Cabinet and NSW Police.

Our CBD Coordination Office, Transport Management Centre and transport operating agencies managed the provision of 4500 extra public transport services as well as major road closures in the CBD and surrounding suburbs. We ran an extensive communications campaign to keep people informed and influence travel behaviour. Our social media and real-time transport apps continue to play a growing role in helping festival goers plan their travel.

## Transforming George Street

Since construction began in 2015 we've made significant progress on the CBD and South East Light Rail Project which is set to transform Sydney.

When it opens to passengers in 2019, Light Rail will deliver frequent, reliable journeys from Circular Quay through the CBD to south-east Sydney's sporting and entertainment centres, medical facilities, education, business and residential precincts. It will also make Sydney more walking-friendly with a significant pedestrian zone on George Street between Bathurst and Hunter streets.

Retrofitting infrastructure of this scale through Australia's biggest city is challenging but by communicating early and often and working in a coordinated way across Transport and with our stakeholders we've been able to keep Sydney moving and open for business during construction.

When we introduced a new bus network in October 2015 we ran an intensive information campaign featuring stakeholder forums and distribution of more than 300,000 bus plan pamphlets on the streets of Sydney. The campaign helped commuters transition to the new bus services.

Later in October we successfully closed a section of George Street for the first time and as Christmas approached we brought the construction zone to life with a series of activations and activities run in partnership with retailers.

Our Travel Choices program has also had a big impact - providing more than 140,000 people across 500 organisations with information about how organisations, delivery partners and individuals can adapt to the changing CBD.





4 Achievements

## 4.1 Deliver an infrastructure program of significant scale

### Northern Beaches B-Line Program

B-Line is a \$512 million program that includes a new fleet of 38 double decker buses that deliver more frequent and reliable 'turn up and go' bus services between Sydney's Northern Beaches and the Sydney CBD. Buses will run every five minutes during peak hours and every 10 minutes at other times.

Stretching 27 km from Mona Vale to Sydney's CBD, B-Line will integrate with a new regional network and service plan to increase Northern Beaches bus services and provide more seamless and accessible connections with local bus services and other transport modes.

The B-Line program moved into the development and delivery stage during 2015-16. Initial works will commence late 2016, with first services beginning late 2017. Full services will start in 2019 when all infrastructure is complete.

Transport for NSW has been engaging with residents, businesses and other stakeholders to ensure the community is aware of the proposed works and has the opportunity to provide input into the process. Community consultation has included: public display of three Reviews of Environmental Factors; seven information sessions attended by 700 people; a dedicated project website accessed by 9000 visitors; and a telephone line and email service which have handled more than 200 enquiries.

First works will be:

- Improvements for bus priority along the B-Line route.
- Six new commuter car parks with 900 additional car spaces.
- Improved bicycle and pedestrian links to nine new B-Line stops.

### New Intercity fleet

A new fleet comprising more than 500 carriages will modernise intercity train services that operate between Sydney and the South Coast, Blue Mountains, Newcastle and Central Coast. As a \$3.93 billion program, it will benefit intercity passengers with contemporary amenities, including improved seating comfort, improved luggage storage, tray tables, charging outlets for portable devices and compliance with disability standards. It will also reduce operating and maintenance costs and increase service reliability.

Tenders to design, manufacture, test, commission, supply, deliver and maintain the trains for 15 years were submitted in December 2015, with the successful tenderer announced in August 2016. The new trains will come into service progressively, with the first trains anticipated to be delivered in 2019.

Transport for NSW will build a maintenance facility for the fleet at Kangy Angy on the Central Coast, which was identified as the preferred site in December 2015. Design and planning followed in the first half of 2016.

As part of continuing public consultation, the Review of Environmental Factors for the facility was put on public display in June.

### Sydney Metro Northwest

The multi-billion dollar Sydney Metro is Australia's biggest public transport project. It will deliver 31 metro stations served by automated trains along more than 66 km of new metro rail – increasing Sydney's overall rail capacity across the network by 60 per cent to meet demand.

It is anticipated that delivery of the Sydney Metro, together with signalling and infrastructure upgrades across the existing network, we can increase the capacity of train services into the CBD in the busiest hour of the morning peak from about 120 per hour today, to around 200 services from 2024. That's an increase of up to 60 per cent capacity across the network to meet demand for our growing city.

The Sydney Metro has two phases – Northwest and Sydney Metro City and Southwest. The Sydney Metro Northwest will open in the first half of 2019; and the Sydney Metro City and Southwest services expected to begin in 2024.

The \$8.3 billion, 36 km Sydney Metro Northwest includes the construction of eight new metro stations and a four km skytrain which is

well underway. Driverless trains will provide customers with one train every four minutes during the peak.

Sydney Metro Northwest will deliver a reliable public transport service to a region which has the highest car ownership levels per household in NSW. Over the coming decades, it is estimated that an extra 200,000 people will move into Sydney's North West, taking its population above 600,000, or twice the size of Canberra.

Sydney Metro Northwest is currently in the delivery phase, with all major land acquisitions, planning approvals and procurement of contracts completed over the period 2011 to 2014. Major construction is underway at the 16 construction sites along the project alignment.

Among many other construction achievements in 2015-16, excavation of Sydney Metro Northwest tunnels were safely completed in just 16 months, 10 months earlier than scheduled. The railway tunnels are Australia's longest. Almost five million tonnes of rock were excavated at a depth of about 28 metres by four mega tunnel boring machines. Twin 15 km tunnels now stretch from Bella Vista to Epping. Much of the fill was recycled for residential and commercial development in Greater Western Sydney.

### **Sydney City Metro and Southwest**

The Sydney Metro City and Southwest project travels 30 km from Chatswood, about 40 metres below Sydney Harbour through the Sydney CBD and south-west to Bankstown. Services are expected to begin in 2024. New metro stations will be located at Crows Nest, Victoria Cross, Barangaroo, Martin Place, Pitt Street, Central and Waterloo.

With additional metro stations at Crows Nest, Barangaroo and Waterloo plus refinement of the project's delivery strategy, the cost range for Sydney Metro City and Southwest has been set at between \$11.5 and \$12.5 billion. The project is currently in the planning phase and the exhibition of the Environmental Impact Statement for the Chatswood to Sydenham section closed in late June 2016.

In 2016, two groups were shortlisted to build twin 15.5 km metro tunnels under Sydney Harbour from Chatswood to Sydenham. The contract is expected to be awarded mid 2017, with the first of five tunnelling machines in the ground before the end of 2018.

Once delivered the project will:

- Result in around 30 million fewer car trips annually in 2036.
- Allow metro trips from Chatswood to Central in just 15 minutes (11 minutes faster than current).
- It will use a specialised tunnel boring machine combining two types of tunnelling technology to deal with the unique ground conditions under Sydney Harbour.
- Support more than 6200 jobs at the peak of construction in 2017-18.

### **Sydney Light Rail**

The CBD South East Light Rail (SLR) is a 12 km, \$2.1 billion Public Private Partnership project linking Circular Quay and Central via George Street, the Moore Park sporting and entertainment precinct, Randwick Racecourse, University of NSW and Prince of Wales Hospital.

SLR is a NSW Government project that will modernise Sydney's public transport system, improve the reliability of CBD travel, revitalise the city centre and create new accessible urban environments along the SLR corridor and beyond.

The Sydney Light Rail Delivery Office was established in April 2015 and major construction has commenced on the SLR project. Transport for NSW worked with stakeholders across State and Local governments, the community and business to support the delivery of this complex project while minimising impacts to local communities and people who visit the CBD each day and ensuring their safe interactions with light rail construction vehicles and workers.

In 2015-16, major construction milestones included:

- Detecting and relocating hundreds of utility services such as gas, electricity, telecommunications, sewer and stormwater, and rebuilding service pits.
- Demobilising and remobilising two construction zones on George Street to support New Year's Eve celebrations in Sydney CBD.
- Progressing Randwick Stabling Yard and Lilyfield Maintenance Facility.

Sydney Light Rail,  
Haymarket.



### Parramatta Light Rail

Parramatta Light Rail will connect Westmead Hospital to the urban renewal area at Camellia, with branches to Carlingford and Strathfield via Sydney Olympic Park. It will directly connect to existing and future residential, employment, cultural and education precincts.

High frequency, daily services will connect to the wider rail, bus, ferry and active transport network.

A Special Infrastructure Contribution Scheme for development will contribute funding to the project, which was announced in December 2015.

The scoping phase for the Parramatta Light Rail was completed in early 2016. The draft Business Requirements Specification, which documents the business goals, needs, capabilities and customer requirements for this project, was also completed by the end of 2015-16. To provide certainty for project planning and delivery, Transport for NSW purchased land for the Parramatta Light Rail maintenance facility and vehicle stabling.

### Newcastle Light Rail

The Newcastle Urban Transformation and Transport Program will deliver the NSW Government's commitment to revitalise the city. It aims to bring people back to the city centre by strengthening connections between the city and the waterfront, creating employment opportunities, providing more public space and amenity and delivering better transport.

The Newcastle Light Rail project is a key part of integrating land use and transport and encouraging investment to revitalise the Newcastle city centre.

Project scope includes 2.7 km of track with six stops, two power sub-stations, a light rail vehicle fleet with a stabling and maintenance facility and adjustments to the wider road network.

In April 2016, the Review of Environmental Factors (REF) went on public display and the community was invited to have its say on the Newcastle Light Rail project. Transport for NSW has released a Submissions Report responding to community and stakeholder feedback on the REF, and its formal determination that the Newcastle Light Rail project will proceed. Enabling work for light rail is expected to start in late 2016 and major construction in early 2017.

## Wynyard Walk

Wynyard Walk is a new pedestrian link connecting Wynyard Station with Barangaroo. The fully accessible walkway allows pedestrians to connect from Wynyard to the Barangaroo waterfront in approximately six minutes, avoiding steep inclines and road crossings.

The main construction contract for Wynyard Walk was awarded to CPB Contractors (formerly Thiess Pty Ltd) in September 2012, and major work on the project started in late 2012.

In 2015-16 construction progressed well on the \$306 million project, with the internal fit out undertaken and escalators installed. The Sussex Street pedestrian bridge, completed in October 2015, is an important landmark for the area and provides pedestrians with a safe, accessible connection between Kent Street and Barangaroo.

The project increases the entry and exit capacity of Wynyard Station to meet current and future demands for the CBD's western corridor and waterfront. This includes catering for the Barangaroo development, which is expected to accommodate up to 23,000 office workers and attract up to 33,000 visitors per day. As at 30 June 2016 the Wynyard Walk was on track to open to the public in September 2016 to coincide with the opening of the third commercial tower at Barangaroo South.

## Wynyard Station upgrade

Wynyard Station is being upgraded as part of creating the new gateway to Barangaroo and the financial district.

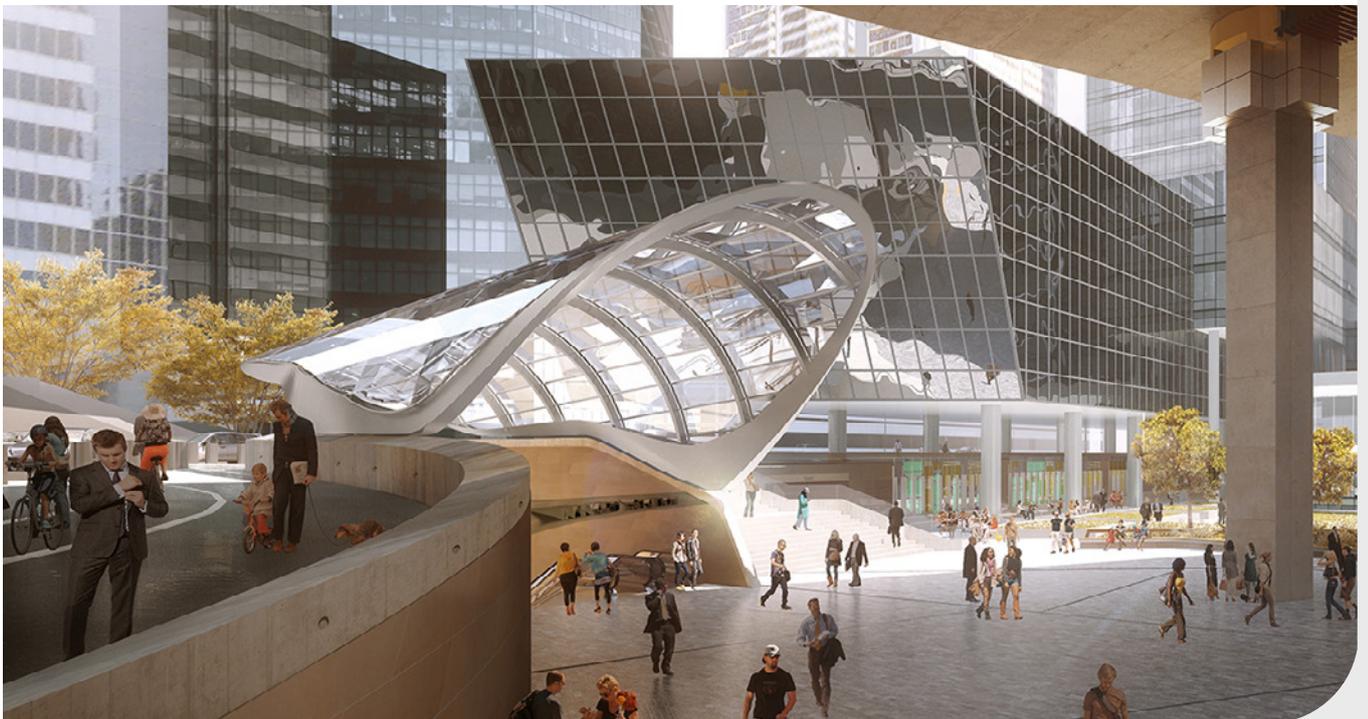
The station upgrade is part of the transformation of the Sydney CBD. Wynyard Station will be lighter, brighter and cleaner, with increased capacity for the future.

Construction of the Wynyard Station Upgrade began in April 2015 with significant work undertaken through 2015-16. The first stage was completed in September 2016, with a wider concourse, new Opal-only ticket gates and new platform stairs.

The works include capacity improvement works to overhaul the concourse and ticket area. This work includes new fixtures and finishes, a wider concourse and additional ticket gates. Less clutter on the concourse and platforms will also make it easier for customers to move in and around the station.

The second stage of the upgrade is budgeted at \$30 million. Platform ventilation and portable air-conditioning that can be moved where it is needed most, lighting upgrades, and refurbishing York Street entrance with an accessible lift and an escalator upgrade will provide the finishing touches for Sydney's newest commercial district.

Wynyard Walk artist impression.



## 4.2 Optimise the integrated movement of people and goods

### Opal fare reform

The NSW Government announced that there would be no increases to Opal card fares until July 2017. This means fares will not have increased on trains and ferries since January 2015 or on buses and light rail since 2014.

The announcement followed an IPART review in June 2015 at the request of The Hon Andrew Constance MP, Minister for Transport and Infrastructure that would consider options for reforming the Opal fare structure to achieve greater levels of fare integration and any changes to fares would need to support future changes to the public transport network as Sydney continues to grow.

Released in May 2016, IPART's final report included a number of recommendations for improving fare integration and financial sustainability for the Opal public transport network.

The NSW Government adopted IPART's three key recommendations which include:

1. Introduction of a \$2 'transfer discount' for Adult Opal card customers (\$1 for concessions) every time they change modes of transport during a single journey.
2. Changing the Opal Travel Reward to provide a 50 per cent discount to all journeys after eight paid journeys have been made in a week. This change strikes a balance between discounted public transport and ensuring a sustainable transport system.
3. Increasing the price premium for single trip tickets to approximately 20 per cent over the equivalent Opal card fares.

The changes were introduced on 5 September 2016.

### Customer Satisfaction Survey

Transport for NSW is tasked with putting the customer at the centre of our decision-making to boost customer satisfaction with transport.

Our latest Customer Satisfaction Index brings together the voices of over 16,000 customers, and demonstrates current satisfaction levels across all public transport.

Since survey inception in 2012, customer satisfaction has increased across all modes. In particular, satisfaction with Train services increased by seven percentage points and satisfaction with Bus services increased by four percentage points.

Since 2012, initiatives implemented by Transport for NSW and transport operators to improve customer services and satisfaction include:

- New timetable introduced in October 2013. It was the biggest rewrite of the timetable in a generation and delivered more services, improved connections between different types of public transport and reduced many journey times.
- Police Transport Command started putting a dedicated transport police force back on public transport in May 2012, providing a visible enforcement presence on trains, buses and ferries, improving safety and security.
- Successful rollout of Opal ticketing, providing seamless connection between transport modes and eliminating the need to queue for a ticket.
- Waratah trains rollout resulting in an increase of trains that are safer, more comfortable, accessible and air conditioned.
- Transport Access Program delivery, helping provide accessible stations for people with a disability, as well as people with prams and the ageing.
- Customer focused information services including new apps and wayfinding providing real-time information to better plan trips.

The following table shows an increase in overall customer satisfaction over time.

<b>Customer Satisfaction (%)</b>	<b>2012-13 (to June '13)</b>	<b>2013-14 (to May '14)</b>	<b>2014-15 (to May '15)</b>	<b>2015-2016 (to May' 16)</b>
Train	81	85	88	88
Bus	85	87	88	89
Ferry	95	96	97	97
Light Rail	94	89	92	96
Taxi	79	81	84	81
Private Vehicle	-	-	-	85
Heavy Vehicle	-	-	-	66
Motorcycle	-	-	-	83
Cycle	-	-	-	82
Walk	-	-	-	86

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## Freight achievements

The Northern Sydney Freight Corridor program is a collaboration between the Australian and NSW Governments and in 2015-16 was delivered on time and \$100 million under budget. The program is designed to increase capacity by separating passenger and interstate container freight services and remove the most serious bottleneck on the East Coast interstate rail network. This separation creates a more reliable passenger network, removing 200,000 heavy vehicles from the road each year, which equates to reducing greenhouse gas emissions by more than 100,000 tonnes and diesel usage by almost 40 million litres per annum.

In June 2016, the Fixing Country Roads program recommended \$50 million for 64 projects targeting regional projects on council-owned roads. The total value of those projects was over \$130 million, with joint contributions also being made by local councils, the Australian Government and industry.

The Fixing Country Roads program is aligned with and complements the Fixing Country Rail program. It is designed to develop the most efficient and productive transport network for moving goods throughout regional NSW.

In November 2014, Infrastructure NSW recommended that \$400 million be allocated to the Fixing Country Rail program over five years. The program identifies, assesses and funds projects to improve connectivity on the NSW regional rail network and boost economic potential.

Transport for NSW is administering Fixing Country Rail and consulting with NSW Government agencies, local government, Federal

Government agencies and independent experts. A pilot round in April 2016 resulted in seven projects being identified for funding.

Responding to community concern regarding noise from freight trains a \$50 million, 10-year Freight Noise Attenuation Program was launched in September 2015 to deliver treatments to reduce noise impacts at homes across the freight network. It will allow sound-rated windows, doors and mechanical ventilation to be installed at up to 2000 eligible homes.

## Road Safety

The NSW Government has set a target to reduce annual road deaths by at least 30 per cent from 2011 levels by 2021. The Government is committed to making NSW roads the safest in the country.

While NSW has seen significant improvements in the level of road trauma over time, road crashes are still a leading cause of death for people under 44 years of age. Each year there are around 42,000 recorded road crashes in NSW, with more than 26,000 people injured.

To reduce road fatalities by at least 30 per cent, the Government is putting more money into roads and working with local government to deliver road safety improvements. In May 2016, the *Towards Zero* campaign was launched to change community attitudes towards the road toll.

Provisional fatality results for 2015-16 indicate there were 390 fatalities on NSW roads. This is a rate of 5.1 fatalities per 100,000 people; which is 86 (28 per cent) more than in 2014-15.

In 2015-16, initiatives implemented and developed to improve road safety include:

- Flashing lights were installed at 1741 school zones by 31 December 2015 with every school in NSW having at least one set. Five million dollars will fund additional lights outside at least 400 schools and a further five million will be spent on other pedestrian facilities such as pedestrian refuges.
- A pedestrian crossing countdown timer trial that reviewed road user crossing behaviours and perceptions in the Sydney, Parramatta and Chatswood CBDs resulted in count down timers installed at 35 locations.
- 160 red light speed cameras were operating and 11 were pending installation.
- Mobile speed cameras were enhanced with new vehicle markings and signage upgrades; they delivered 7000 hours of enforcement per month.
- The commitment to increase roadside drug testing to 77,000 test was met; this was supported by a new Transport for NSW funded public education campaign, 'Mobile Drug Testing - MDT' to deter and raise community awareness.
- To June 2016, more than 1600 serious and repeat offenders have joined the mandatory Alcohol Interlock Program whereby breath testing devices are linked to vehicle and motorcycle ignition systems via 4900 interlock orders made by NSW Courts.
- 30 types of motorcycle helmets were assessed for comparative safety and comfort under the Consumer Ratings of Safety Helmets.
- To address motorcycle crash black spots and to expedite the treatment of injured riders, five sites were identified for the installation of solar powered emergency satellite phones along the Oxley Highway in Northern NSW. The phones should be operational before December 2016.
- The Safer Drivers Course which prepares learners to become safe drivers as provisional licence holders was completed by 23,100 people (27 per cent of eligible learner drivers). This included 254 young Aboriginal learner drivers.
- More than 100,000 copies of Transport for NSW's *On the Road 65Plus* booklet have now been distributed. It offers information on the effects of health changes on driving ability, safer driving and pedestrian habits, using public transport safely and planning to retire from full-time driving.
- Bicycle rider penalties for serious road safety offences such as riding through red lights and not wearing a helmet were increased. From early 2017, adult bicycle riders who breach road rules must show photo identification to NSW police.
- A number of new road safety campaigns and initiatives were launched in 2015-16 which were aimed at diverse target audiences. They included the following:
  - Towards Zero
  - Mistakes Speeding Campaign
  - Mobile Drug Testing Campaign
  - Get Your Hand Off It mobile phone distraction campaign
  - Go Together Cycling Safety Campaign
  - Cricket NSW sponsorship
  - Western Sydney Wanderers A League sponsorship
  - Sydney Swans and Greater Sydney Giants AFL sponsorship
  - Bstreetsmart
  - The Top Ten Misunderstood Road Rules
  - NSW Safe Cycling Communities - It's a Two-Way Street
- Demerit points for mobile phone use while driving were increased to four points and was included in the double demerit points program.
- The Local Government Road Safety Program is a joint initiative between Transport for NSW and Roads and Maritime Services. In 2015-16, more than 85 councils took part in the \$5 million NSW Local Government Road Safety Program with 77 road safety officers to deliver speeding, drink driving and fatigue related road safety projects.

## Public Transport Safety

Transport for NSW continued to work closely with the NSW Police Force to enhance security and law enforcement on the transport network. The November 2015 Customer Satisfaction survey showed 89 per cent of customers were satisfied with safety and security on trains, 94 per cent on buses, 98 per cent on ferries and 96 per cent on light rail. This was the highest level of satisfaction with safety and security since the surveys began in 2012.

Since the Police Transport Command was established in May 2012, crimes including stealing, robbery and sexual assaults have reduced, in some cases by 60 per cent.

As part of the Transport Access Program, improvements and safety projects were completed at 45 locations across NSW. Improvements included providing closed circuit television monitoring, lighting, additional fencing, and help points for customers. This will continue to improve safety at stations and interchanges.

Transport for NSW also continued to work closely with the NSW Police Force, transport operators, Roads and Maritime Services and other stakeholders to deliver suitable counter terrorism protections. This included conducting security risk assessments, reviewing security plans and participating in multi-agency security exercises. Collaboration also continued with Commonwealth and interstate government stakeholders on nationally consistent surface transport security.

More than 100 industry representatives attended a Transport for NSW Bus Safety Forum in April to share examples from bus operators of good practice about key safety risks and related issues. The main focus was on runaway buses, school bus safety and anti-social behaviour. It will become an annual event.

### Transport Management Centre

Transport for NSW's Transport Management Centre monitors and manages the NSW road network 24 hours a day, 365 days a year. It also coordinates all public transport operations during peak commuter travel times, major events and unplanned incidents.

The objective is to achieve more consistent journey times for road and public transport users, clear traffic incidents as quickly as possible, and communicate traffic and transport information to help road users choose the best way to reach their destinations.

For example, the Transport Management Centre was responsible for managing road closures and travel across Sydney during severe storms and flooding on 4 and 5 June 2016. There were more than 340,000 visits to the Live Traffic NSW website on 5 June - the highest number of visits recorded in one day. Responses were made to a record 1549 incidents, which compared to a daily average of 600.

In terms of performance, 98 per cent of unplanned incidents on Principal Transport Routes were on average cleared within 39 minutes, which was better than target.

Transport Management Centre performance highlights in 2015-16 include:

- Working closely with the CBD Coordination Office implementing new timetables for the redesigned CBD bus network and managing the CBD construction zone.
- Assisting millions of customers, commuters and residents with traffic and transport information for more than 361 major public events.
- Issuing more than 60,000 road occupancy licences across Sydney, an increase of 30 per cent on the previous year, permitting major infrastructure upgrades to be carried out on roads such as on the M4 Motorway as well as enabling works for WestConnex and the Sydney Light Rail project.

### CBD Coordination Office

The CBD Coordination Office was established in June 2015 as a single coordination point to manage the significant development and construction in the Sydney CBD. The Office has become the single point of accountability which has the authority and capacity to make decisions quickly in response to the continually fast paced evolution of conditions during project construction.

Overseeing traffic and transport during the transformation of the Sydney CBD is an important function of the Office, with approximately 100 private and public projects, including major transport projects and property redevelopment, taking place across the CBD during this time.

In 2015-16 the Office proactively managed network and incident responses in the Sydney CBD coordinating customer communication around road closures and bus changes, facilitating light rail construction, minimising disruption to the CBD transport network and customers, and ensuring the effective delivery of business as usual activities that support the CBD economy. Key transport projects supported by the CBD Coordination Office include the CBD and South East Light Rail, Wynyard Walk, Wynyard Station Upgrade, Museum Station Upgrade and Barangaroo Ferry Hub.

Major milestones and achievements in 2015-16 include:

- Implementing a redesigned CBD bus network to facilitate changes to bus operations so that construction could commence in George Street for the CBD and South East Light Rail project. This was supported by an extensive campaign helping customers and distributing more than 300,000 flyers and brochures.
- A Light Rail Activation Program launched in October 2015 to support businesses along the route during construction. This included pop-up alternative retail space for George Street businesses, entertainment and other activities to support the business community.
- Working with more than 500 businesses in the CBD, the Travel Choices program established in August 2015 is a free, dedicated business resource, which prepares organisations of all sizes for changes to the transport and road network generated construction.
- Proactive traffic management, an extensive advertising and media campaign and the Travel Choices Program has helped to relieve congestion and keep the city moving.
- Opening in February 2016, the first multi-modal courier hub in Sydney CBD, assists 1000 courier companies to reach customers while relieving congestion and keeping the city moving.

### Point to Point reform

In December 2015 the NSW Government responded to the Point to Point Transport Taskforce's 57 recommendations to modernise the taxi, hire car and rideshare industry. This included repealing more than 50 taxi and hire car regulations. Reforms are expected to generate \$30 million in benefits each year for the industry, and make the booked market more competitive.

As part of the industry engagement program, 12 industry information sessions were held with more than 350 attendees around NSW to keep the point to point transport industry engaged on the reform program. This was followed by the release of an IPART commissioned survey, with 22 per cent of customers using the ridesharing service in six months (to February 2016). The survey also demonstrates further growth in demand for taxis and hire cars.

In June 2016, NSW Parliament passed the Point to Point Transport (Taxis and Hire Vehicles) Bill 2016, approving the second stage of reforms including a modern safety regime, establishing the \$250 million industry adjustment assistance fund and creating a new NSW Point to Point Transport Commissioner to oversee regulation of the industry.

Applications for transitional assistance payments of \$20,000 per eligible taxi licence, for up to two licences, opened in July 2016.

### Transport Access Program

The Transport Access Program is an initiative to provide a better experience for public transport customers by delivering accessible, modern, secure and integrated transport infrastructure.

In 2015-16, 38 projects were opened to the public as part of the Program. This covered station upgrades, commuter car parks, new lifts, Opal-activated bike sheds, and minor works including:

- New lifts for improved customer access at Redfern, Ingleburn, Waterfall and Artarmon stations and Huntleys Point Ferry Interchange.
- Commuter car parks at Sutherland, Gosford, Canley Vale, Thirroul, and Holsworthy stations.
- Upgrades and interchange improvements at Bankstown, Yass Junction, Chatswood, Armidale, Glenbrook, Hazelbrook, Maitland and Tahmoor stations.
- Opal-activated bike sheds at Woy Woy, Campbelltown and Blacktown stations.
- Conversions of staff car parking to allow commuter access at 12 locations on the Sydney Trains and Intercity network.
- Minor works and safety projects at Rooty Hill, Penrith, Seven Hills, Wollongong and Woy Woy.

By end 2015-16, upgrades continued at McMahon's Point Wharf, Wynyard, Flemington, Wentworthville, Pendle Hill, Wentworth Falls, Heathcote, Croydon, Penrith, Broadmeadow, Oatley and Museum stations. Interchange upgrades are also currently underway at Balmain East, Dubbo.

New at-grade car park design and construction contracts have been awarded for Engadine, Asquith and Marayong and for station upgrades at Leura, Jannali, Narwee and Berala. Planning is underway for upgrades of Homebush, Toongabbie, Victoria Street, Panania and Harris Park stations.



The Bay Walk and Iron Cove Bridge, Canada Bay.

### Active transport achievements – walking and cycling highlights

In 2015-16, investment of more than \$43 million delivered more than 400 walking and cycling projects with 118 councils across NSW. This delivered 70 km of cycleway and more than 170 walking upgrades.

Walking and cycling initiatives delivered in 2015-16 include:

- The Bike and Ride program enabling people to use their bike to get to a preferred public transport interchange, and then ride a bus, train, ferry or tram to continue their journey.
- New Opal-activated bike sheds with 160 free and sheltered bicycle parking spaces now available at Woy Woy, Parramatta, Blacktown and Campbelltown stations.
- About 10,000 people took part in 60 events held across the State to mark Bike Week and foster and strengthen relationships between schools, local communities and Government.
- The Good Move walking and cycling campaign was launched to encourage walking or cycling as part of an overall transport journey.
- Progress continued on the Greenway pedestrian and cycling corridor through Sydney's inner west connecting the Cooks River and Iron Cove.
- The Bennelong Bridge at Wentworth Point opened in May 2016, connecting Homebush Bay and Rhodes to Wentworth Point. The bridge is the first to exclude private vehicle use and is only available for pedestrians, bicycle riders, emergency vehicles and buses.

## Leverage emerging technology to better serve our customers and enable our business

### Open data

In accordance with the NSW Government's policy, Transport for NSW developed an Open Data program to remove barriers to data access for researchers, mobile application developers and/or innovators.

The program has been very successful and provides a platform where Transport for NSW can incubate ideas that offer improved customer services.

The Open Data platform was launched in April 2016 to give open access to an ever-growing number of transport data sets, many real-time. It has attracted more than 1000 registered users. In its first three months the data was used 7.2 million times, including by some of the world's leading transit app developers, *Moovit* and *Transit App*.

The platform was delivered in time for Transport for NSW's *Future Transport Summit* in April 2016. The Open Data platform was a proof point and centrepiece of one of the Summit's technology theme areas: *Open Data for Innovation*.

### Customer empowerment

Increased app usage is allowing customers to use their own digital channels to access information, which is a more efficient way of serving customers. The Opal mobile phone application was produced by Transport for NSW and is the only official Opal app.

The app is free to download and was released in the third quarter of 2015 and re-released with new functionality in the second quarter of 2016. Customer usage of the real-time application increased to more than 4.6 million unique customer downloads and over 120 million data requests each month. These figures equate to a 9.6 per cent reduction of Transport Information phone line enquiries.

The updated version of the Opal app includes the following functionality:

- a detailed trip plan displayed on a map
- mechanism to save favourite trips
- remote Opal card top-up
- ability to manage customer profiles
- report lost or stolen cards.

The Speed Adviser app was developed by Transport for NSW in recognition that speeding is the most common contributing factor to road deaths in NSW. It is designed to reduce speeding and save lives. The application uses Intelligent Speed Assistance technology, the phone's GPS capability and an inbuilt speed zone map that monitors the driver's location and speed. If the driver exceeds the speed limit, they will be alerted via visual and audible warnings. Since release, downloads have exceeded 118,000.

### Social media presence and improved communication channels

Social media is increasingly becoming a critical communication tool for Transport for NSW to engage and inform our customers while improving their journey.

Seven new Twitter handles were released for bus customers. This ensured we effectively engaged with and provided information to our customers about planned changes to bus routes and planned connectivity with other transport modes. The purpose was to reduce the impact on our customers during construction in Sydney's CBD.

Transport for NSW's Facebook 'likes' grew 69 per cent across its six pages, which reach about 3.9 million each month. There was also a 67 per cent growth in Twitter followers in 2015-16, which equates to a reach of 9.2 million tweets reaching our customers each month. The Centre for Road Safety also launched a Facebook page which received 50,000 likes in six months.

Improving communication channels includes launching of *Towards Zero* highlighting the human element of the road toll. The campaign is overseen by the Centre for Road Safety and aims to engage the community and encourage everyone to play their part in achieving a move towards a zero road toll.

The *Future Transport* program aims to uncover trends and technologies that will revolutionise the way the government and customers plan, build and use transport. Future Transport was launched with a two-day summit in April 2016, bringing together thought leaders, IT specialists, innovators, entrepreneurs, futurists, transport leaders and academics, from Surry Hills to Silicon Valley.

## Opal

Opal has transformed the way people catch public transport by making it easy to catch any mode at any time, while offering new and modern ticketing experiences. Our commitment to enhancing customer experience on public transport continued in 2015-16 with the expansion of methods and locations for obtaining and topping up an Opal card.

By the end of the year, customers had overwhelmingly embraced Opal, with two million people taking around 50 million journeys a month, which is 95 per cent of public transport patronage. By 2015-16 year end more than 7.7 million Opal cards have been issued – up from 3.2 million on the previous year.

This included 1.2 million Gold Senior/Pensioner cards (up from 355,000), 700,000 Child/Youth cards (up from 270,000) and 278,000 concession cards (up from almost 100,000). Some 355,000 school students received Opal cards. Opal using customers were taking nearly 13 million trips a week, up from 8 million the previous year by end of 2015-16.

The vast majority of customers, approximately 80 per cent, have demonstrated their preference for topping up through Opal retailers or the auto top up setting. Many other customers use the website and the 24 hour Opal customer service telephone service for top ups.

Over 2015-16 a new style of gate that only accepts the Opal card has been tested at selected railway stations and rolled out in stages. The gates provide a better experience for Opal customers with a smoother and quicker walk through.

## Future Transport Summit

In April 2016, Transport for NSW hosted an inaugural two-day *Future Transport* Summit. The two-day event brought together more than 600 thought leaders from around the world. Attendees included information technology specialists, innovators, entrepreneurs, futurists, transport leaders and academics to examine how technology can be used to improve transport across NSW.

The summit launched a transformative, 12-month program of work through which Transport for NSW is identifying how to bring technology into the centre of what we do, to drive greater efficiency in service delivery and improve the customer experience.

Outcomes of the summit are documented in the *Future Transport Post-Summit Report* and will be incorporated into a *Technology Roadmap*.

As part of the Future Transport Program, an *Intrapreneurs' Hothouse* was held. This event brought together staff from across the Transport cluster to develop their ideas on how we could use technology to deliver better customer outcomes. More than 670 ideas were submitted by about 500 staff members. An innovation microfund was established to take 40 of these concepts through to rapid prototype or pilot.

Planning has begun for a Youth Summit that will enable Transport for NSW to capture the thoughts and attitudes of university and TAFE students towards transport and encourage participants to put forward ideas that improve transport service delivery.

Opal adult and Opal child cards tapping on.



### Premier's Innovation Initiative - Congestion

The NSW Premier's Innovation Initiative invites the private and non-government sectors to submit innovative proposals in priority areas.

Two successful proposals relating to congestion were successful and announced by the NSW Government in April 2016. Funding will be sourced from the \$200 million intelligent transport control systems upgrade in the Rebuilding NSW fund.

Codha Wireless uses Cooperative Intelligent Transport System Technology to minimise congestion by reducing the number of times trucks stop at traffic lights. The project trials technology that detects a heavy vehicle approaching traffic lights and extends the length of time the light is green. This should improve travel time at more than 100 intersections across Sydney, resulting in smoother overall traffic flow for all road closures. About 110 trucks are taking part in the trial. The technology has been installed on major freight corridors, including sections of Pennant Hills Road, Parramatta Road and King Georges Road. If successful, the trial may be expanded to emergency vehicles and buses and inform the incorporation of connected vehicle technology to other vehicles.

Data61 trials the use of a Big Data platform and the compilation of data from Opal, GPS devices, traffic signals, and buses to reduce congestion. The program will help to prioritise initiatives that lead to more reliable travel times on the road and transport networks. It will provide better information to the Transport Management Centre and alert road users of congestion incidents and provide information about alternative routes.

### Improving customer experience

Transport for NSW has an ongoing commitment to improving the customer experience. Since 2011 a range of programs have been put in place to ensure that service and infrastructure delivery put the customer at the centre of everything we do. Customer Satisfaction surveys since 2012 have shown a strong improvement across customer experience levels across all transport modes.

Key to improving the customer experience across the public transport network has been the rollout of Opal, providing seamless travel. Opal has made it easier to catch any mode at any time. The data has shown us that, two million people were taking around 50 million trips a month by end of 2015-16. The success of the rollout accelerated the withdrawal of old magnetic stripe paper tickets from sale.

Transport for NSW is also collaborating with Service NSW to develop a program which assesses and delivers a Digital Driver Licence scheme using emerging technology to improve access and service delivery of licence-related activities.

Transport for NSW delivered a new cloud-based software platform to record, manage and respond to the more than 160,000 unique pieces of customer feedback it receives annually through its Customer Feedback System program. Delivered in 10 months, it went live in November 2015 and replaced seven legacy systems used by 2000 employees in all major transport agencies. The system also integrates with customer websites, contact centres and Service NSW.

## Major internal information technology programs to modernise work practices

Transforming our IT services and infrastructure across the Transport cluster is a key priority which will provide transport staff with tools to deliver better services to customers and enable better service delivery. Faster, more secure and reliable platforms with improved service levels, reduced costs, and increased flexibility will ensure the transport workforce remains agile and responsive to changing demands.

Two systems are being implemented by Transport for NSW to modernise work practices, with progress continuing and milestones achieved in 2015-16 including:

1. Work began to introduce a business transformation program that enables communication and collaboration while allowing the flexibility to work from anywhere. The Next Generation Infrastructure Services (NGIS) program delivers common, contemporary and lower cost information technology infrastructure services across the Transport cluster and creates a more efficient and agile workplace.

Existing outdated IT infrastructure and service contracts will be replaced with contemporary multi-sourced arrangements. The future technology environment will be more consistent across the cluster with upgraded software and a collaboration tool.

2. The Enterprise Resource Planning (ERP) technology underpins the Corporate and Shared Services Reform Program. It will modernise how over 25,000 people work and do business within the Transport cluster, delivering efficiency savings. The roll-out went live on 1 July 2015 and reached more than 6000 employees. Further deployments included human resources payroll live on 14 March 2016, while finance, procurement and project/portfolio management went live on 1 July 2016. The ERP Program will focus on deployment to NSW TrainLink and Sydney Trains in 2016-17.

## 4.4 Refresh the long term strategic planning framework

### Commence refresh of the Long Term Transport Masterplan

The NSW Long Term Transport Master Plan was released in 2012, setting the framework over a 20-year period for the NSW Government to deliver an integrated, modern transport system that places the customer first. Many initiatives are already well underway.

The Plan identifies the challenges that we face and need to address in order to support the NSW economy and our community. The structure of the plan was designed to guide our decision making and help us to prioritise actions. It also identifies a series of coordinated reforms, service improvements and investments.

In 2015-16, work began on refreshing the Master Plan in line with the Government commitment to a five year review of the NSW Long Term Transport Master Plan. Significant progress has been achieved and Transport is working closely with bodies such as the new Greater Sydney Commission to produce a holistic and comprehensive refreshed Plan, linked to broader planning objectives.

### Integrated transport planning and service delivery in Urban Growth Priority areas

Transport for NSW has played a key role in continuing to lead and advise Government to support integrated transport planning and service delivery outcomes. We are developing a project pipeline for the future transport initiatives to be delivered between 2020 and 2050 to support planned land use. This includes Priority Growth Area and Priority Precinct Programs and the Urban Transformation Program being led by UrbanGrowth NSW.

Transport for NSW is also completing planning for on-street rapid transit projects along Sydney's Parramatta Road and Victoria Road corridors in Sydney. Any improvements will be integrated with other land use and transport initiatives, including the Bays Precinct and WestConnex.

Transport for NSW is also developing options via the Bus Head Start program to deliver high-standard bus services. Priority projects include short bus-only road links, bus traffic signals and kerbside bus lanes. The program will ensure that public transport customers in greenfield development areas are connected to regional centres and train services. This includes the South West Rail Link and future North West Metro. A key focus will be on the Western Sydney Airport precinct where the early provision of reliable and direct bus services to new jobs and housing is needed ahead of the longer-term development of rail connections.

### **Collaboration with the Greater Sydney Commission**

The Greater Sydney Commission was established in January 2016 with a statutory responsibility to release Draft District Plans within 12 months. District level planning will connect the NSW Government's aims for greater Sydney with the important planning that councils undertake every day for their neighbourhoods.

In order to ensure alignment of land use and transport assumptions and scenarios, Transport for NSW staff are working in the Greater Sydney Commission office. The establishment of this relationship in 2015-16 provides a strong base to build on the coordinated delivery of the District Plans and strategies across government over the next 18 months.

This coordinated activity has included monthly meetings chaired by the Deputy Secretary of Freight, Strategy and Planning, and attended by the Chief Commissioner, Deputy Chief Commissioner and other staff of the Greater Sydney Commission and Transport for NSW. A Data Coordination Working Group was also established. It is chaired by Transport for NSW to ensure alignment and common data assumptions for strategic planning between Transport for NSW, Infrastructure NSW and the Department of Planning and Environment.

### **Regional rail planning**

Regional Rail services and selected Intercity services are currently operated using diesel trains, which cover a large network that extends as far as Brisbane, Melbourne, Broken Hill, Moree, Armidale, Griffith and Canberra.

The NSW Government has committed to replacing the regional XPT Trains. The Government's commitment to commence procurement before 2019 is progressing. Planning will determine the exact train requirements to meet long-term regional customer needs.

### **Regional road corridor strategies**

Corridor strategies for State roads in regional NSW are developed so that transport investment decisions are guided by long-term planning that is evidence based. Extensive analysis has been conducted to determine current and future challenges and issues along each corridor and identify short, medium and long term investment priorities.

Over the past 12 months, Transport for NSW and Roads and Maritime prepared and released for public consultation six draft corridor strategies for:

- Barton Highway (October 2015)
- Tumut to Hume Highway – Gocup Road and Snowy Mountains Highway (February 2016)
- Princes Highway (March 2016)
- Golden Highway (March 2016)
- Oxley Highway (March 2016)
- Lismore to Bangalow Road (May 2016).

### **Collaboration with Commonwealth funding**

The Australian and NSW governments are funding a 10 year, \$3.6 billion road investment program for Western Sydney. The Western Sydney Infrastructure Plan will deliver major road infrastructure upgrades to support an integrated transport solution for the region and capitalise on the economic benefits from developing the planned Western Sydney Airport.

The Plan provides improved road transport capacity ahead of future traffic demand, as planned residential and employment development comes online in Western Sydney growth centre precincts and the Broader Western Sydney Employment Area. The first road projects of the \$3.6 billion Western Sydney Infrastructure Plan are now underway.

Consultation on the eight shortlisted route options for the M12 Motorway, and the preliminary design and access strategy for part of the alignment of The Northern Road Upgrade Stage 4 closed in March 2016.

Transport for NSW provided advice to the Department of Planning and Environment towards the end of 2015 regarding the draft Environmental Impact Statement for the Western Sydney Airport.

Together with the Federal Government, Transport for NSW has jointly funded a Western Sydney Rail Needs study. This study includes public consultation together with Industry engagement and is scheduled to be completed in early 2017.

In addition Transport for NSW is providing advisory services to the Department of Infrastructure and Regional Development regarding the likely technical requirements for Rail infrastructure at the proposed new Western Sydney Airport. It is expected that this advisory role will continue while the Airport is further developed.

## Land use planning and development

An integrated approach to land use and transport planning can meet the community's social, environmental and economic needs and objectives. Integrated planning recognises that land use generates demand for travel while the transport system influences how land is used for particular purposes. Processes include land use planning and identifying areas where evidence should be collected for future decision making. At the same time it is important to continually improve governance and administration of the transport system.

Transport for NSW responds to planning proposals and development applications to ensure that land use development fully integrates with existing and future transport needs.

In 2015-16, 521 land use applications were processed with a 91 per cent on-time response rate. This was an increase of 18 per cent in the number of referrals processed in the previous year, as well as a five per cent improvement in the rate of on-time responses.

Port Kembla Grain Terminal.



### Working with Treasury on the Financial Management Transformation Program

NSW Treasury's Financial Management Transformation Program vision is to create a world-class financial management framework. The reform is designed to improve the way the NSW Government manages the State's cash, financial investments and debt.

Transport for NSW is continuing to work closely with Treasury through the design and implementation phases of the Transformation Program to help deliver a step change in financial management. Customer focus and quicker decision making by Government will be facilitated through the Financial Management Transformation program and the Data Analytics Centre.

The Transformation Program will change the way data is captured, used and shared. It will enable meaningful frameworks to be developed that enable the long-term view needed to measure and demonstrate value and accountability. Outcomes include a proactive, whole-of-state approach that will deliver budget savings and address risk.

Transport for NSW worked closely with NSW Treasury and other government agencies in 2015-16 to ensure stronger financial oversight; facilitate data driven and quicker decision making; implementing innovative service delivery models; and eliminating risk associated with the State's balance sheet. These reforms will support improved budget results, delivery of the State's priorities and protection of the Triple A credit rating.

### Value capture/sharing major transport projects

Value sharing is a beneficiary-pays infrastructure funding model. It means that those who benefit from Government infrastructure investments help pay for them. Transport for NSW is considering various active and passive mechanisms for capturing value as options to fund critical future infrastructure.

An example is the Special Infrastructure Contribution that shares the value uplift along the Greater Parramatta to Olympic Peninsula Priority Growth Area for new residential development. The mechanism will contribute funding to Parramatta Light Rail and other infrastructure such as schools and road upgrades.

### Budget management

Transport for NSW actively managed the Transport cluster's budget to deliver and grow transport services, and to build and maintain road, freight, maritime and public transport assets. In 2015-16, the net cost of the cluster's operations of over \$4 billion were within two per cent of budget, while the capital works program of almost \$9 billion was delivered within five per cent of budget.

In order to achieve this undertaking, Transport for NSW used strategies and governance processes that enabled flexible yet controlled financial management throughout the year. Delivery of an ongoing program of efficiency savings measures were implemented to ensure optimal delivery of transport services

The Government is also drawing upon commercial best practice principles by establishing a new Asset and Liability Committee. This committee draws upon the technical and financial market expertise of New South Wales Treasury Corporation and the private sector by including representatives from these groups as members.

## Asset Management

Significant progress has been made in maturing asset management whole of life thinking throughout the Transport cluster. A significant success has been the deployment and adoption of the common Transport for NSW Asset Life Cycle model (pictured below).

Closer alignment and integration of asset assurance with investment assurance frameworks has also facilitated a further move toward a whole of life thinking approach.

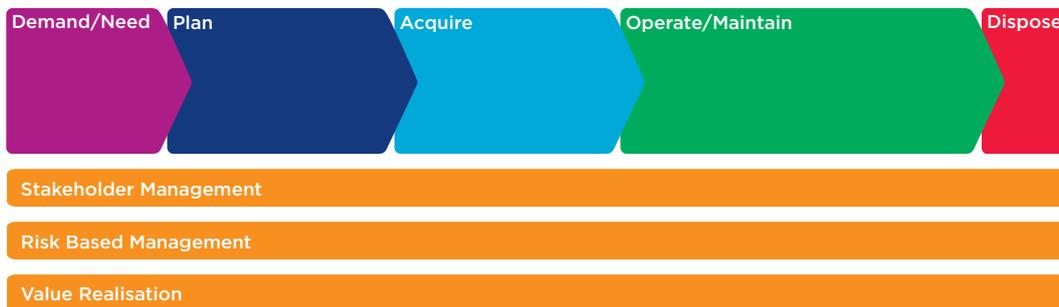
Key Divisions within Transport for NSW collaborated to produce and publish our Asset Management Framework, designed and based on the international Asset Management Standard ISO 55000 series. Transport for NSW, led by the Asset Standards Authority, also collaborated with other government departments and agencies such as NSW Treasury, to develop the framework.

Transport for NSW was awarded the Asset Management Council's Asset Management Innovation Award for the Asset Management Framework's development.

The key objective for Transport for NSW's asset management is to ensure business processes across the Transport cluster effectively balance cost, risk and performance in relation to planning, building, and operating and maintaining infrastructure and fleet assets.

To support the achievement of this objective and to share knowledge, lessons and drive collaboration and consistency in practices, the Asset Standards Authority has hosted a series of 'Communities of Practice' with strong cross-cluster representation from Transport Service Provider public sector agencies and private operators.

### ASSET LIFE CYCLE



## 4.6 Build the capability of our people and our systems to support our deliverables

### Structural re-alignment

A review of the Transport for NSW organisational structure continued in 2015-16. The review ensures we are best positioned to meet current challenges, deliver government priorities and build on previous success.

Outcomes of the review included the following:

- Integrated our strategy, policy and planning functions.
- Reduced duplication between areas performing similar roles and ensuring clear handoffs.
- Brought together the functions needed to ensure successful services growth.
- Streamlined the program approvals process and aligned capital and operating spend.
- Built the capability to innovate and continuously improve what we do.

The new organisational structure depicted on page 52 includes five new divisions and creating major project delivery offices: Freight, Strategy and Planning; Finance and Investment; Customer Services, Infrastructure and Services; and People and Corporate Services. Three delivery offices were also established to facilitate an extensive infrastructure delivery program: Sydney Metro, Sydney Light Rail and CBD Coordination Office.

### Driving diversity change – women in leadership and Indigenous employment

Transport for NSW has been driving diversity change with particular attention to increasing female representation in leadership roles and Aboriginal employment across the Transport cluster.

Three key strategies were designed to progress and support increased diversity:

1. Improved targeted attraction and recruitment practices.
2. Developed and retained existing employees, which included a focus on career development.
3. Ongoing Executive sponsorship and visibility in supporting and driving initiatives.

The Transport Executive endorsed a target of 25.5 per cent female representation in leadership roles by December 2017 for the entire Transport cluster. Two key programs were launched across the Transport cluster in 2015-16 to support the target:

- *Flexibility Works* supports managers to effectively implement and support flexible work practices and arrangements with staff
- *Staying Connected* provides adequate support to men and women returning from extended parental leave to help staff transition back into the workplace.

A target to increase Aboriginal representation to 1.2 per cent by December 2017 was also endorsed for the entire Transport cluster. Entry Level Talent Programs are central to driving diversity and building a strong talent pipeline. This year, 17 new Aboriginal cadets were employed.

Events such as NAIDOC Week, and Reconciliation Week, the Sydney Gay and Lesbian Mardi Gras, International Women's Day, Harmony Day and Reconciliation Week were recognised to champion Transport for NSW's commitment to workplace diversity.

## Inter-agency collaboration

Transport for NSW has worked with a wide range of government agencies to develop a whole of NSW Government policy framework that drives an integrated approach to planning and the implementation of programs and services.

Areas of consultation have included nationally significant reform, urban transformation, ageing, disability and youth policies, digital licensing, commerce regulation, insurance, air services, heavy vehicle reform, correctional services, information sharing, integration and alignment between agencies and strategic planning.

Our commitment to inter-agency collaboration is illustrated by the following examples:

- Progressed urban transformation precincts with UrbanGrowth, including the Bays Precinct.
- Developed ageing, disability and youth policies, including the National Disability Insurance Scheme in partnership with the Department of Family and Community Services and Commission for Children and Young People.
- Collaborated with Service NSW on the Digital Licensing Program to develop governance mechanisms and program delivery.
- Worked with and provided advice to the Department of Finance, Services and Innovation as a member of the Commerce Regulator Project Steering Committee.
- Participated in the Compulsory Third Party Insurance roundtable review for point to point (taxis, hire cars and rideshare) vehicles.
- Worked with the Lord Howe Island Board, Department of Premier and Cabinet, Department of Industry and Destination NSW to secure long-term air services and investigate options for infrastructure requirements.
- Facilitated the Changing Outlooks Program which enables low risk offenders to provide services such as landscaping and maintenance at railway stations and roadside vegetation removal of surrounding areas and pathways.
- Coordinated collaboration and tactical information sharing between Greater Sydney Commission, Infrastructure NSW, Department of Planning and Environment and the NSW Data Analytics Centre.
- Developed objectives and data sources for State Infrastructure Planning in South Sydney with Infrastructure NSW Department of Planning and Environment, NSW Health and NSW Department of Education.
- Engaged with the National Transport Commission, NSW Department of Industry and the Department of Finance Services and Innovation on electric, connected and automated vehicles.
- Progressed NSW interagency collaboration on the Commonwealth Government's road reform agenda with Roads and Maritime Services, NSW Treasury and the Department of Premier and Cabinet.
- Provided strategic advice to the National Heavy Vehicle Regulator and the Office of the National Rail Safety Regulator in partnership with the National Transport Commission and all state and territory jurisdictions.
- Engaged with the Greater Sydney Working Group on the district plans being developed by the Greater Sydney Commission.

## Driving collaboration across the Transport cluster

Coordinated by the Public Service Commission, the *People Matter Survey* is a NSW public sector wide initiative that engages almost 400,000 employees. It is designed to ask employees about their own work at an individual, team and organisational level. Transport cluster participation in the bi-annual *People Matter Employee Survey* increased from 27 per cent in 2014 to 48 per cent in May 2016. This includes a response rate of over 98 per cent for Transport for NSW.

The inaugural Transport cluster-wide leadership event, *Leader Alliance*, was held in June 2016 bringing together more than 200 of its senior leaders. The event was designed to align leadership thinking, develop solutions to Transport cluster challenges and fuel collaboration and accountability.

## Employee excellence awards

Employee excellence in the Transport cluster was recognised in October 2015 at an event attended by the Minister for Transport and Infrastructure, agency Chief Executives and the Transport for NSW Executive team.

Employees were recognised in eight award categories that were aligned to Transport for NSW values. Awards included: Advancing Women in Leadership, Project Team of the Year, and the Secretary's Individual Award for Employee Excellence.

The inaugural Individual Award for Employee Excellence was awarded to CBD Coordinator General Marg Prendergast for her work in both that role and in her previous position as head of the Centre for Road Safety.

## Promoting the Leadership Academy and associated programs

Transport for NSW nominated 75 participants in 2015-16 to participate in the Public Service Commission's Leadership Academy and other programs which align with the Transport cluster's Driveit leadership strategy. Examples of Public Service Commission initiatives include:

- Secretary's Program
- Deputy Secretary's Program
- Leading Executives Program
  - Leading Other Managers Program
  - Delivering Business Results
  - Executive Essentials.

Seventy-five Driveit programs were run in 2015-16 building the capacity of over 1000 participants across the Transport cluster. These programs cover a suite of development opportunities including leadership innovation, change management and diversity and inclusion.

Two new programs were also developed and implemented this year:

- *Future Leaders*, which aimed to prepare high potential employees to move into their first leadership role
- *Stepping Ahead* prepared high potential team leaders to transition to roles with greater responsibilities and larger teams.

5

# Corporate Governance

## 5.1 Internal Audit and Risk Management Policy attestation

### Internal Audit and Risk Management Attestation for the 2015-16 Financial Year

- Department of Transport
- Transport for NSW
- Transport Service of NSW
- Sydney Ferries.

I, Tim Reardon, am of the opinion that the above listed entities have internal audit and risk management processes in operation that are, excluding the exceptions or transitional arrangements described below, compliant with the eight core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core requirements	Compliant, not-compliant, or in transition
<b>Risk Management Framework</b>	
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
<b>Internal audit function</b>	
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
<b>Audit and Risk Committee</b>	
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 Chair and Members of the Audit and Risk Committee are:

Name	Term commences	Term finishes
Alex Smith (Chair)	27 November 2013	26 November 2017
Gerry Brus (Member)	19 November 2015	18 November 2017
Carolyn Berlew (Member)	03 March 2014	02 March 2018



**Rodd Staples**  
Acting Secretary

### 5.2 Credit card certification

I certify that the credit card usage in Transport for NSW during the year ended 30 June 2016 was in accordance with the Premier's Memoranda and Treasurer's Directions.



**Tim Reardon**  
Secretary

### 5.3 Digital Information Security Policy attestation

#### Digital Information Security Annual Attestation Statement for the 2015-2016 Financial Year for Transport for NSW

I, Tim Reardon, am of the opinion that Transport for NSW IT Service Delivery had an Information Security Management System in place during the 2015-2016 financial year that is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

The controls in place to mitigate identified risks to the digital information and digital information systems of Transport for NSW IT Service Delivery are adequate.

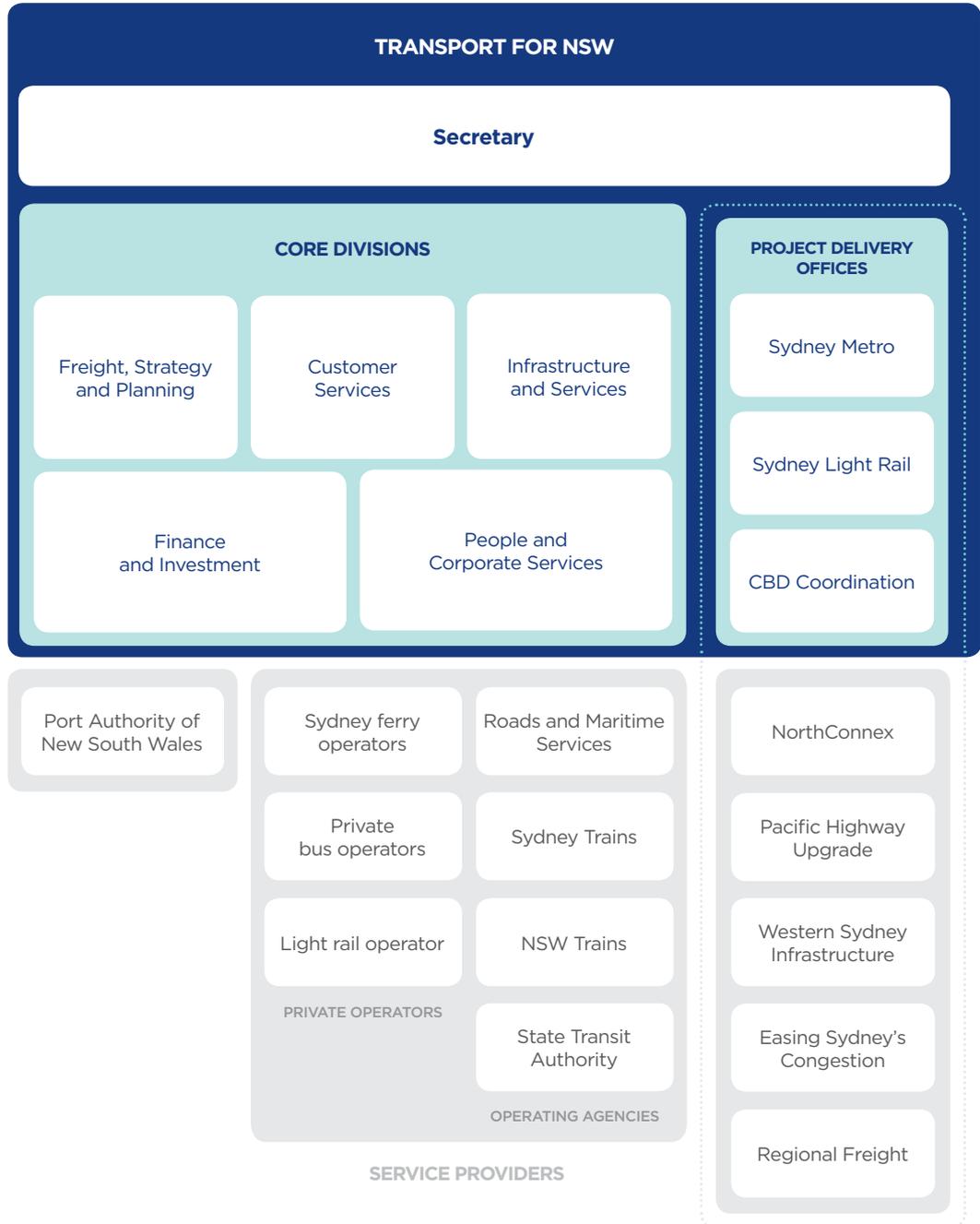
Risks to the digital information and digital information systems of Transport for NSW IT Service Delivery have been assessed with an independent ISMS certified in accordance with the *NSW Government Digital Information Security Policy*.

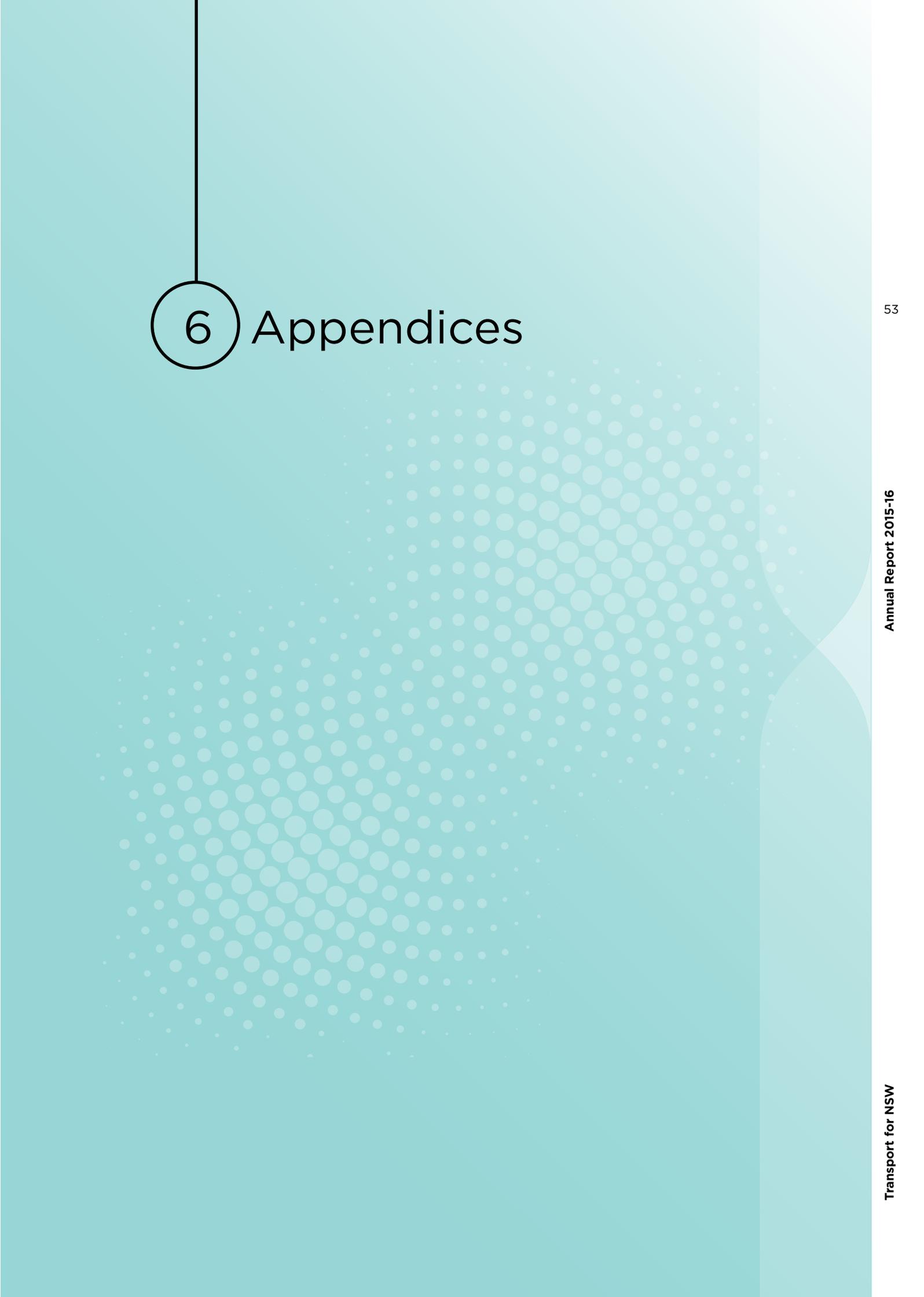
Transport for NSW IT Service Delivery has maintained certified compliance with ISO 27001 *Information technology - Security techniques - information security management systems - Requirements* by an Accredited Third Party during the 2015-2016 financial year.



**Tim Reardon**  
Secretary

## 5.4 Transport for NSW organisational structure





6 Appendices

## 6.1 Management

### Consumer response

Transport is committed to making our systems accessible and supporting people that may require assistance when making a complaint. All complaints and feedback are handled equitably, objectively and in an unbiased manner. Transport is committed to responding appropriately to customer complaints and feedback. As well as use the insights generated to guide business decisions that will improve the products and services we offer.

We aim to resolve most complaints within five business days. In circumstances where a complaint requires a detailed investigation, customers will be sent an acknowledgement that includes a tracking reference and information regarding the complaint handling process. If it is likely to take longer than 20 business days to resolve a complaint, customers will be kept informed of progress on a regular basis until the matter is resolved.

A *Complaint and Feedback Management Standard* (Standard) has been developed, defining the minimum mandatory requirements to meet the commitments outlined in the Transport Customer Complaints and Feedback Policy (Policy). The Standard details the strategy, approach, and processes required for customer

feedback and complaint handling, including accountabilities, responsibilities, documentation and reporting.

Complaints, compliments and suggestions about public transport can be made online via the *Transport Info Feedback, questions and complaints* page or on the 131 500 telephone number.

Transport for NSW received 6321 customer complaints through Transport Info and separately 1586 individual forms of customer feedback. Collectively, Transport for NSW received 7907 complaints, compliments and suggestions.

Additional and direct consumer feedback is, in some instances, provided to various business units within Transport for NSW.

Transport for NSW responds to complaints and feedback both on a case-by-case basis and also on a geographic or project approach where issues are identified specific to certain areas. Improvements have been made in how project delivery takes place. These include informing the community of construction impacts, changes to ticketing requirements, Opal availability and access. The project delivery has also improved the School Student Transport Scheme providing travel on the light rail system.

Supporting our investment in customer focused infrastructure and services, our latest Customer Satisfaction Index demonstrates consistent improvement across all public transport between 2012 and 2016.

Customer satisfaction (%)	2012-13 (to June '13)	2013-14 (to May '14)	2014-15 (to May '15)	2015-2016 (to May' 16)
Train	81	85	88	88
Bus	85	87	88	89
Ferry	95	96	97	97
Light Rail	94	89	92	96
Taxi	79	81	84	81

## Risk management and insurance

Risk management is a core capability and a key contributor to the success of Transport for NSW. We are committed to implementing proactive strategies and mechanisms to improve our performance and ensure we meet our objectives safely and successfully.

Transport for NSW's Risk Management Framework and supporting standard and procedures establish a consistent approach to assessing, evaluating and managing risks. The Framework complies with 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 International Standard for Risk Management (AS/NZS ISO 31000).

Enterprise Risk Management is supported by a Risk Management Information System and provides an entity-wide system for risk information.

Risk management arrangements are integrated within business strategy, planning, performance and budget processes. Business units include key risks within their business plans. They also report to the Transport for NSW Secretary quarterly on the effective management of risks.

The Transport Executive Committee performs a regular review of Transport for NSW risk profiles and has established a Transport Risk Leadership Group and a Risk Community of Practice to support the effective management of risk throughout Transport for NSW. The Transport Executive Committee and the Transport Risk Leadership Group also provide strategic leadership and assurance by identifying, monitoring, and reviewing opportunities to continually improve Transport for NSW's risk management performance.

The Audit & Risk Committee reviews whether management has in place current and appropriate risk management process, and associated procedures for effective identification and management of risks.

In terms of insurance, the NSW Treasury requires all NSW Government agencies, other than State Owned Corporations, to place Principal Arranged Insurance (PAI) through iCare and Self Insurance for all government capital works projects estimated to cost over \$10 million.

Transport for NSW is a member agency of the Treasury Managed Fund (TMF). Our insurance policy is based on TMF's statement of cover. TMF is a self-insurance scheme provided by Insurance & Care NSW (iCare), which was established by the *State Insurance and Care Governance Act 2015*.

The TMF provides the following areas of cover for Transport for NSW:

- workers compensation
- liability
- property
- miscellaneous risks
- comprehensive motor vehicle.

Contractor-arranged insurances (CAI) are required for any contract not covered by PAI. CAI is taken out by the contractors to protect themselves against potential risks and liabilities that could arise as a result of services provided under the contract. A certificate of currency must be provided by all contractors engaged by Transport for NSW.

Transport for NSW also purchased commercial insurance policies for NSW Heritage Railways and Country Regional Network (CRN). Public and Products liability insurance is provided for rail heritage operations. Previous combined commercial insurance arrangements continued between CRN, Sydney Trains and NSW Trains. The insurance provided includes Industrial Special Risks (property damage and consequential loss insurance) and Comprehensive Liability Insurance.

## 6.2 Finance

### Funds granted to non-government community organisations

A total of 39 grants were distributed via the Regional Transport Coordination Program. Funds totalled \$735,785.

Organisation	Grant purpose	Amount
Bara Barang Corporation Ltd	<b>KOORI LOVE SHOULDN'T HURT</b> Assisting Aboriginal people experiencing domestic violence with legal services and transport to support family and friends who may live in other regions of NSW.	\$10,000
Camden Head Pilot Station	<b>WAUCHOPE TO THE COAST</b> Camden Haven Community College and local Wauchope schools will work with the Aboriginal community and connect with individuals who are at risk of disengaging from community and education.	\$12,000
	<b>DETERMINING OUR FUTURE</b> Aboriginal youth at risk of disengaging from their education have been identified as needing experiences outside their local community. This project provides access to marine educational facilities and cultural sites on the north Queensland coast.	\$6,500
	<b>WIDER HORIZONS</b> Enables Aboriginal youth to travel and participate in cultural experiences in other Aboriginal regions.	\$8,000
	<b>TOTAL</b>	\$26,500
Central Coast Disability Network	<b>CENTRAL COAST HISTORICAL MUSEUM TRANSPORT</b> Allows up to 15 people with disabilities to attend the Henry Kendall Museum and Central Coast Maritime Museum. They will work with museum staff to build dioramas and scenes depicting historic land and maritime modes of transport.	\$6,800
Charles Sturt University	<b>TRANSPORT PATHWAYS TO GOOD DENTAL HEALTH - EXTENSION</b> Subsidises bus transport for transport-disadvantaged young people and their families to the university's Dental and Oral Health Clinic.	\$5,000
Coast Shelter	<b>RECONNECTING THE HOMELESS</b> Opal cards and train ticket subsidies for people living on the streets, women with children living in cars and homeless youth. They will be assisted to reconnect with family or friends or improve their life situation.	\$10,000

<b>Organisation</b>	<b>Grant purpose</b>	<b>Amount</b>
Fynnorm Pty Ltd (McRae's Bus Services)	<b>URALLA TO BENDEMEER</b> Subsidises transport for a person with a disability to attend Tamworth TAFE.	\$545
Homebase Youth Services	<b>BEACH N' BREAKFAST</b> Access for eligible disadvantaged Aboriginal youth to attend surf lessons and have a healthy breakfast before going to school.	\$10,000
	<b>KIDS ON A MISSION TOO</b> This allows disadvantaged Aboriginal youth to attend positive social and recreational activities after school and during school holidays.	\$15,000
	<b>TOTAL</b>	\$25,000
Intereach.	<b>TRAVELLING WIRADJURI WOMEN</b> Part of a culturally-connected program that enables two large coach charters of 35 Aboriginal women and elders to visit culturally significant birthing sites in the Tumut local government area waterways.	\$3,000
Lifetime Connect	<b>EARLY START</b> Affordable, coordinated transport for disadvantaged pre-school age children and their parents or guardians to school readiness and family support services in the Nambucca Valley.	\$20,000
Lismore Bundjalarms Inc	<b>STRONGER WOMEN</b> Subsidises bus transport to enable young Aboriginal women to access a healthy wellbeing and supportive sports program in Newcastle.	\$5,000
Louth Public School Parents & Citizens Association	<b>ALL ABOARD, LOUTH</b> A two-year project will provide transport to other centres for Louth residents via subsidised fuel costs for a number of local, privately-owned vehicles.	\$10,000
Manning Valley & Area Community Transport Group	<b>DESTINATION DUBBO</b> Affordable transport for a team of Aboriginal footballers and their supporters from the Greater Taree area to the annual Aboriginal football knockout at Dubbo.	\$3,000
Neighbourhood Central	<b>BEYOND THE HILL</b> Subsidises transport for Aboriginal youth residing in Peak Hill to access social, cultural and sporting events in neighbouring larger communities.	\$10,000
	<b>ABORIGINAL FOOTBALL KNOCKOUT COMPETITION IN DUBBO</b> Subsidises bus charter for Aboriginal players and spectators from the Central West, Murray, Murrumbidgee and Western regions to attend.	\$15,000
	<b>TOTAL</b>	\$25,000

<b>Organisation</b>	<b>Grant purpose</b>	<b>Amount</b>
New England Sector Support	<b>NEW ENGLAND KNOCKOUT TRANSPORT</b> Subsidises bus transport for Aboriginal groups from across the New England and North West region to attend the Aboriginal football knockout in Dubbo.	\$5,000
Ngurrala Aboriginal Corporation	<b>ENGAGED AND ACTIVE</b> Bus charter enabling some of the most disadvantaged Aboriginal youth in the Nambucca Valley region to attend recreational and life learning camps.	\$10,000
Northern Rivers Community Transport	<b>DRIVING THE NORTHERN RIVERS</b> Facilitates training of 25 volunteer Aboriginal bus drivers in the Kyogle, Richmond Valley and Lismore local government areas.	\$30,000
	<b>NOW WE'RE GOING</b> The volunteer drivers licenced through the Driving the Northern Rivers project will help deliver this transport to help their community.	\$30,000
	<b>TOTAL</b>	<b>\$60,000</b>
On Focus	<b>HELPING HANDS EXTENSION</b> Subsidised taxi transport for community members living and working with a disability in the Richmond Valley.	\$65,000
Police Citizens Youth Club (Wellington)	<b>PCYC WELLINGTON COURTESY BUS</b> Isolated and disadvantaged youth are able to attend after school, weekend or school holiday activities.	\$5,040
Police Citizens Youth Club (Wagga Wagga)	<b>2016 MAWANG GAWAY - NATIONS OF ORIGIN WIRADJURI (SOUTH) TRANSPORT</b> Charter bus transport for 24 young Aboriginal people and 11 volunteer support staff from the Wagga Wagga Wiradjuri Aboriginal Nation to the Nations of Origin tournament at Raymond Terrace.	\$5,500

<b>Organisation</b>	<b>Grant purpose</b>	<b>Amount</b>
Port Macquarie Neighbourhood Centre	<b>HASTINGS L2P</b>	\$15,000
	Assistance for ten disadvantaged young people in the Port Macquarie region to gain their provisional driver licence to improve their own lives and, in some cases, those of their children.	
	<b>NEIGHBOURHOOD SUPPORT</b>	\$20,000
	Delivers coordinated bus transport for disadvantaged people in the Port Macquarie region, focusing on people with mental illness.	
	<b>DRIVING THE HASTINGS</b>	\$25,000
	Training for up to 25 people to obtain a Light or Medium Rigid Driver Licence, with the option to then obtain a Bus and Coach Driver Authority. They would then volunteer a minimum of 30 hours driving for isolated Aboriginal and disadvantaged people in the Port Macquarie and Wauchope regions.	
	<b>DRIVING THE FUTURE OF THE HASTINGS</b>	\$120,000
	Training for up to 75 people enabling them to obtain their Medium Rigid Driver Licence. It will build on the work done and the lessons learnt from the Driving the Hastings project.	
	<b>TOTAL</b>	<b>\$180,000</b>
Sector Connect Inc.	<b>MAKING TRACKS TO THE KNOCKOUT</b>	\$10,000
	Subsidises group transport for Aboriginal people experiencing financial hardship in the Illawarra and Western Sydney to the NSW Aboriginal football knockout in Dubbo.	
Skills Link Training	<b>KEEPING ENGAGED</b>	\$2,400
	Subsidises transport on existing school services for 10 young people from disadvantaged homes in Laurieton and Wauchope attend Skills Link Training in Port Macquarie, three days per week.	

<b>Organisation</b>	<b>Grant purpose</b>	<b>Amount</b>
Tweed Byron Ballina Community Transport	<b>HEADING WEST</b>	\$5,000
	Subsidises group transport through two collaborative Community Transport providers for Aboriginal community members to the NSW Aboriginal football knockout in Dubbo.	
	<b>ISLAND ART</b>	\$22,000
	Promotes public transport and more specifically, community transport to the Aboriginal community by establishing a competition that will see two Community Transport buses being wrapped in the winning artwork.	
Warlga Ngurra Women & Children's Refuge	<b>CABBO WEEKENDS</b>	\$30,000
	Coordinated door-to-door, volunteer-driven bus transport to Ballina and to other destinations on the weekends.	
	<b>MURWILLUMBAH &amp; REGION YOUTH TRANSPORT</b>	\$95,000
	Culturally appropriate and affordable after school and weekend transport to predominantly Aboriginal youth.	
Wauchope Neighbourhood Centre	<b>TOTAL</b>	\$152,000
	<b>WARLGA NGURRA ESCAPING DOMESTIC VIOLENCE TRANSPORT</b>	\$14,000
	Taxi vouchers and Opal cards for up to 600 women/ children escaping domestic violence.	
	<b>FLAT OUT KIDS</b>	\$12,000
Werin Aboriginal Corporation	Volunteer-driven bus transport to Wauchope for young Aboriginal people between the ages of five and 12 to participate in school holiday activities.	
	<b>PORT MACQUARIE SCHOOL HOLIDAY TRANSPORT</b>	\$40,000
	Coordinated, volunteer-driven bus transport for isolated and disadvantaged young people aged between five and 16 years in the greater Port Macquarie region during school holidays.	
	<b>TOTAL</b>	\$52,000
Werin Aboriginal Corporation	<b>GETTING THERE - TRANSPORT FOR YOUNG ABORIGINAL WOMEN</b>	\$15,000
	Transport for young Aboriginal women in the Port Macquarie-Hastings Local Government area to enable them to access the services provided by Werin Aboriginal Medical service.	
	<b>BARUNGA BOUND</b>	\$10,000
	Transport for the Djiyagan Dhanbaan (strong women) Aboriginal women's dance group from the Port Macquarie region to the Barunga Festival.	
	<b>TOTAL</b>	\$25,000

**Transport for NSW administers community grants in partnership via the following programs:**

- Delivered on behalf of the NSW Department of Family and Community Services, the Community Care Support Program provides transport for younger people (and their carers) that have a permanent functional disability, live in their community and risk premature or inappropriate admission to residential care.
- The Australian Government funds Transport for NSW via the Commonwealth Home Support Program to provide trips to older, frail, aged people and their carers.
- Transport for NSW on behalf of the NSW Government delivers the *Community Transport Program* that provides public passenger services to people who do not have access to public or private transport because of location, time of travel, ability or affordability.

<b>Organisation</b>	<b>Program</b>	<b>Funding</b>
Access Sydney Community Transport	Community Care Support Program	\$236,000
	Commonwealth Home Support Program	\$2,792,000
	Community Transport Program	\$201,000
	<b>TOTAL</b>	<b>\$3,229,000</b>
Activus Transport Incorporated	Community Care Support Program	\$82,000
	Commonwealth Home Support Program	\$1,512,000
	Community Transport Program	\$46,000
	<b>TOTAL</b>	<b>\$1,640,000</b>
Bankstown Canterbury Community Transport Incorporated	Community Care Support Program	\$236,000
	Commonwealth Home Support Program	\$1,915,000
	Community Transport Program	\$71,000
	<b>TOTAL</b>	<b>\$2,222,000</b>
BaptistCare NSW & ACT	Community Care Support Program	\$91,000
	Commonwealth Home Support Program	\$772,000
	Community Transport Program	\$108,000
	<b>TOTAL</b>	<b>\$971,000</b>
Bathurst Community Transport Group Incorporated	Community Care Support Program	\$114,000
	Commonwealth Home Support Program	\$306,000
	Community Transport Program	\$112,000
	<b>TOTAL</b>	<b>\$532,000</b>
Bega Valley Community Transport Service Incorporated	Community Care Support Program	\$35,000
	Commonwealth Home Support Program	\$288,000
	Community Transport Program	\$66,000
	<b>TOTAL</b>	<b>\$389,000</b>

Organisation	Program	Funding
Blacktown Community Transport Incorporated	Community Care Support Program	\$200,000
	Commonwealth Home Support Program	\$1,307,000
	Community Transport Program	\$110,000
	<b>TOTAL</b>	<b>\$1,617,000</b>
Blue Mountains Aboriginal Culture & Resource Centre Incorporated	Community Care Support Program	\$32,000
	Commonwealth Home Support Program	\$115,000
	Community Transport Program	\$22,000
	<b>TOTAL</b>	<b>\$169,000</b>
Bungree Aboriginal Association Incorporated	Community Care Support Program	\$33,000
	Commonwealth Home Support Program	\$144,000
	Community Transport Program	\$21,000
	<b>TOTAL</b>	<b>\$198,000</b>
Carewest Limited	Community Care Support Program	\$49,000
	Commonwealth Home Support Program	\$107,000
	Community Transport Program	\$31,000
	<b>TOTAL</b>	<b>\$187,000</b>
Cessnock Community Transport Inc	Community Care Support Program	\$28,000
	Commonwealth Home Support Program	\$285,000
	Community Transport Program	\$213,000
	<b>TOTAL</b>	<b>\$526,000</b>
Clarence Community Transport Incorporated	Community Care Support Program	\$316,000
	Commonwealth Home Support Program	\$1,050,000
	Community Transport Program	\$135,000
	<b>TOTAL</b>	<b>\$1,501,000</b>
Coast And Country Community Service	Community Care Support Program	\$219,000
	Commonwealth Home Support Program	\$1,182,000
	Community Transport Program	\$316,000
	<b>TOTAL</b>	<b>\$1,717,000</b>
Coffs Harbour, Bellingen & Nambucca Community Transport Incorporated	Community Care Support Program	\$133,000
	Commonwealth Home Support Program	\$1,524,000
	Community Transport Program	\$243,000
	<b>TOTAL</b>	<b>\$1,900,000</b>
Community Transport Central Coast Limited	Community Care Support Program	\$596,000
	Commonwealth Home Support Program	\$530,000
	Community Transport Program	\$2,554,000
	<b>TOTAL</b>	<b>\$3,680,000</b>

<b>Organisation</b>	<b>Program</b>	<b>Funding</b>
Community Transport Port Stephens Limited	Community Care Support Program	\$47,000
	Commonwealth Home Support Program	\$593,000
	Community Transport Program	\$131,000
	<b>TOTAL</b>	<b>\$771,000</b>
Community Transport Warren Incorporated	Community Care Support Program	\$28,000
	Commonwealth Home Support Program	\$83,000
	Community Transport Program	\$48,000
	<b>TOTAL</b>	<b>\$159,000</b>
Community Wheels Incorporated	Community Care Support Program	\$192,000
	Commonwealth Home Support Program	\$1,264,000
	Community Transport Program	\$175,000
	<b>TOTAL</b>	<b>\$1,631,000</b>
Dungog & District Neighbourcare Incorporated	Community Care Support Program	\$1,000
	Commonwealth Home Support Program	\$280,000
	Community Transport Program	\$32,000
	<b>TOTAL</b>	<b>\$313,000</b>
Far West HACC Services Incorporated	Community Care Support Program	\$67,000
	Commonwealth Home Support Program	\$187,000
	Community Transport Program	\$146,000
	<b>TOTAL</b>	<b>\$400,000</b>
Gandangara Transport Services Limited	Community Care Support Program	\$359,000
	Commonwealth Home Support Program	\$445,000
	Community Transport Program	\$87,000
	<b>TOTAL</b>	<b>\$891,000</b>
GREAT Community Transport Incorporated	Community Care Support Program	\$166,000
	Commonwealth Home Support Program	\$1,202,000
	Community Transport Program	\$183,000
	<b>TOTAL</b>	<b>\$1,551,000</b>
Hastings Macleay Community Transport Service Incorporated	Community Care Support Program	\$59,000
	Commonwealth Home Support Program	\$1,575,000
	Community Transport Program	\$67,000
	<b>TOTAL</b>	<b>\$1,701,000</b>
Holdsworth Street Community Centre Woollahra Incorporated	Community Care Support Program	\$109,000
	Commonwealth Home Support Program	\$401,000
	Community Transport Program	\$71,000
	<b>TOTAL</b>	<b>\$581,000</b>

Organisation	Program	Funding
Hornsby Ku-Ring-Gai Community Aged	Community Care Support Program	\$46,000
	Commonwealth Home Support Program	\$1,300,000
	Community Transport Program	\$13,000
	<b>TOTAL</b>	<b>\$1,359,000</b>
Intereach Limited	Community Care Support Program	\$104,000
	Commonwealth Home Support Program	\$450,000
	Community Transport Program	\$150,000
	<b>TOTAL</b>	<b>\$704,000</b>
Inverell HACC Services Incorporated	Community Care Support Program	\$13,000
	Commonwealth Home Support Program	\$371,000
	Community Transport Program	\$51,000
	<b>TOTAL</b>	<b>\$435,000</b>
Kalianna Enterprises Incorporated	Community Care Support Program	\$256,000
	Commonwealth Home Support Program	\$467,000
	Community Transport Program	\$74,000
	<b>TOTAL</b>	<b>\$797,000</b>
Lake Cargelligo & District Care for the Aged Association Incorporated	Community Care Support Program	\$11,000
	Commonwealth Home Support Program	\$144,000
	Community Transport Program	\$45,000
	<b>TOTAL</b>	<b>\$200,000</b>
Leichhardt Community Transport	Community Care Support Program	\$121,000
	Commonwealth Home Support Program	\$1,126,000
	Community Transport Program	\$98,000
	<b>TOTAL</b>	<b>\$1,345,000</b>
Lower North Shore Community Transport Incorporated	Community Care Support Program	\$45,000
	Commonwealth Home Support Program	\$912,000
	Community Transport Program	\$58,000
	<b>TOTAL</b>	<b>\$1,015,000</b>
Maitland Community Care Services Incorporated	Community Care Support Program	\$116,000
	Commonwealth Home Support Program	\$550,000
	Community Transport Program	\$101,000
	<b>TOTAL</b>	<b>\$767,000</b>
Manly-Warringah Pittwater Community Transport Incorporated	Community Care Support Program	\$29,000
	Commonwealth Home Support Program	\$1,255,000
	Community Transport Program	\$172,000
	<b>TOTAL</b>	<b>\$1,456,000</b>

<b>Organisation</b>	<b>Program</b>	<b>Funding</b>
Manning Valley and Area Community Transport Group Incorporated	Community Care Support Program	\$182,000
	Commonwealth Home Support Program	\$1,468,000
	Community Transport Program	\$216,000
	<b>TOTAL</b>	<b>\$1,866,000</b>
Mercy Services	Community Care Support Program	\$282,000
	Commonwealth Home Support Program	\$1,872,000
	Community Transport Program	\$130,000
	<b>TOTAL</b>	<b>\$2,284,000</b>
Moree Aged & Disability Services Inc	Community Care Support Program	\$72,000
	Commonwealth Home Support Program	\$214,000
	Community Transport Program	\$73,000
	<b>TOTAL</b>	<b>\$359,000</b>
Murrumburrah Harden Flexible Care Services Incorporated	Community Care Support Program	\$5,000
	Commonwealth Home Support Program	\$37,000
	Community Transport Program	\$40,000
	<b>TOTAL</b>	<b>\$82,000</b>
Northern Coalfields Neighbour Aid Service Incorporated	Community Care Support Program	\$69,000
	Commonwealth Home Support Program	\$269,000
	Community Transport Program	\$12,000
	<b>TOTAL</b>	<b>\$350,000</b>
Northern Illawarra Neighbour Aid Incorporated	Community Care Support Program	\$8,000
	Commonwealth Home Support Program	\$86,000
	Community Transport Program	\$31,000
	<b>TOTAL</b>	<b>\$125,000</b>
Northern Rivers Community Transport Incorporated	Community Care Support Program	\$307,000
	Commonwealth Home Support Program	\$1,196,000
	Community Transport Program	\$181,000
	<b>TOTAL</b>	<b>\$1,684,000</b>
Northern Rivers Social Development Council	Community Transport Program	\$102,000
Northside Community Forum	Community Care Support Program	\$255,000
	Commonwealth Home Support Program	\$161,000
	Community Transport Program	\$48,000
	<b>TOTAL</b>	<b>\$464,000</b>

Organisation	Program	Funding
Ourcare Services Limited	Community Care Support Program	\$59,000
	Commonwealth Home Support Program	\$283,000
	Community Transport Program	\$25,000
	<b>TOTAL</b>	<b>\$367,000</b>
Oxley Community Transport Service Incorporated	Community Care Support Program	\$50,000
	Commonwealth Home Support Program	\$646,000
	Community Transport Program	\$185,000
	<b>TOTAL</b>	<b>\$881,000</b>
Parkes & District Neighbourhood & Community Information Centre Inc.	Community Care Support Program	\$21,000
	Commonwealth Home Support Program	\$329,000
	Community Transport Program	\$138,000
	<b>TOTAL</b>	<b>\$488,000</b>
Peppercorn Services Incorporated	Community Care Support Program	\$158,000
	Commonwealth Home Support Program	\$422,000
	Community Transport Program	\$209,000
	<b>TOTAL</b>	<b>\$789,000</b>
Randwick Waverley Community	Community Care Support Program	\$134,000
	Commonwealth Home Support Program	\$1,352,000
	Community Transport Program	\$26,000
	<b>TOTAL</b>	<b>\$1,512,000</b>
Ryde Hunters Hill Community	Community Care Support Program	\$78,000
	Commonwealth Home Support Program	\$782,000
	Community Transport Program	\$12,000
	<b>TOTAL</b>	<b>\$872,000</b>
Rylstone District Care & Transport Incorporated	Community Care Support Program	\$30,000
	Commonwealth Home Support Program	\$72,000
	Community Transport Program	\$12,000
	<b>TOTAL</b>	<b>\$114,000</b>
South East Neighbourhood Centre	Community Care Support Program	\$52,000
	Commonwealth Home Support Program	\$364,000
	Community Transport Program	\$6,000
	<b>TOTAL</b>	<b>\$422,000</b>
South West Community Transport Incorporated	Community Care Support Program	\$704,000
	Commonwealth Home Support Program	\$3,059,000
	Community Transport Program	\$127,000
	<b>TOTAL</b>	<b>\$3,890,000</b>

<b>Organisation</b>	<b>Program</b>	<b>Funding</b>
Southern Highlands Community Transport Incorporated	Community Care Support Program	\$248,000
	Commonwealth Home Support Program	\$674,000
	Community Transport Program	\$289,000
	<b>TOTAL</b>	<b>\$1,211,000</b>
St George Community Transport	Community Care Support Program	\$116,000
	Commonwealth Home Support Program	\$1,620,000
	Community Transport Program	\$76,000
	<b>TOTAL</b>	<b>\$1,812,000</b>
TransCare Hunter Limited	Community Care Support Program	\$135,000
	Commonwealth Home Support Program	\$363,000
	Community Transport Program	\$208,000
	<b>TOTAL</b>	<b>\$706,000</b>
TRANSLINC Incorporated	Community Care Support Program	\$77,000
	Commonwealth Home Support Program	\$422,000
	Community Transport Program	\$149,000
	<b>TOTAL</b>	<b>\$648,000</b>
Tweed, Byron and Ballina Community Transport Incorporated	Community Care Support Program	\$241,000
	Commonwealth Home Support Program	\$1,737,000
	Community Transport Program	\$162,000
	<b>TOTAL</b>	<b>\$2,140,000</b>
Valmar Support Services Limited	Community Care Support Program	\$184,000
	Commonwealth Home Support Program	\$703,000
	Community Transport Program	\$263,000
	<b>TOTAL</b>	<b>\$1,150,000</b>
Wee Waa Community Care Service Incorporated	Community Care Support Program	\$6,000
	Commonwealth Home Support Program	\$180,000
	Community Transport Program	\$104,000
	<b>TOTAL</b>	<b>\$290,000</b>
Western Region Community Transport	Community Care Support Program	\$4,000
	Commonwealth Home Support Program	\$19,000
	<b>TOTAL</b>	<b>\$23,000</b>
Western Sydney Community Forum Inc	Community Transport Program	\$151,000
Wyalong & District Community Transport Group Incorporated	Community Care Support Program	\$12,000
	Commonwealth Home Support Program	\$154,000
	Community Transport Program	\$27,000
	<b>TOTAL</b>	<b>\$193,000</b>

## Research and development

Transport for NSW's Bureau of Transport Statistics and its Bureau of Freight Statistics were merged in 2015-16 and reformed to facilitate an integrated approach to analytics and big data. This integration enabled Transport for NSW to deliver the evidence bases and insights necessary to drive strategic decision making that underpins the development and delivery of our transport system.

Major research and development activities delivered in 2015-16 include:

- The Greater Sydney Metropolitan Area Household Travel Survey was completed for the 19th year. This was the first time data was collected using Computer Assisted Personal Interviewing, which enhanced survey and fieldwork methods.
- Other data collection initiatives included surveys of fare evasion, peak train loads, traffic volumes, bus stop usage and customers and pedestrians.
- In addition to major projects and business-as-usual reporting, about 800 requests to provide data, advice and analysis were met.
- A Public Transport Project Model was extended and will incorporate big data such as the Opal System, Department of Planning and Environment forecasts and Census zoning.
- Mesoscopic traffic modelling was integrated into a traffic modelling tool to provide additional value and supporting information for strategic and project business cases.
- Transport for NSW initiated a NSW Government Planning Data Working Group to coordinate data for planning initiatives, developing common assumptions and data sets.
- Support was provided to the University of Technology Sydney's post graduate Data Science and Innovation Program.
- Real world challenges for the transport system and the concept of a 'directed hackathon' were also embedded into three UTS post graduate courses.
- A crash and health data linkage process was established to provide serious injury data. It also included additional data from State Insurance Regulatory Authority (SIRA) and Lifetime Care claims.
- The Cooperative Intelligent Transport Systems (CITS) allows drivers to receive safety messages about upcoming hazards and potential crashes. The technology shares information between vehicles and roadside infrastructure such as traffic signals. It now covers more than 2,300 km of road in the Illawarra and has technology installed in 58 heavy vehicles, two light vehicles and a motorcycle. Over 500 million safety messages collected by the system were assessed by independent researchers. Results will be shared with the wider intelligent transport systems industry.

Circular Quay Station.



## Consultants

Transport for NSW expenditure on consultants totalled \$10.63 million in 2015-16.

Transport for NSW hired 84 consultants in 2015-16 on contracts less than \$50,000, for a total of \$2.66 million. Projects and associated actual cost have been categorised as follows:

Category	Number of project	Actual cost (\$'000)
Finance and accounting/tax	3	68
Economic services	27	872
Information technology	33	1,060
Environmental services	8	198
Organisational review	13	462
Legal	0	0
<b>TOTAL</b>	<b>84 projects</b>	<b>2,660</b>

A total of 56 consultants were contracted by Transport for NSW at a value greater than \$50,000 in 2015-16. Total value was \$7.97 million.

Category	Category	Project	Actual cost (\$'000)
Architectus Group Pty Ltd	Engineering	Northern Beaches Bus Rapid Transit	99
Arrb Group Pty Ltd	Management services	Risk coding and risk analysis on State Highway - Stage 3	92
Arup Pty Ltd	Engineering	Lower Hunter freight corridor feasibility study	64
Aurecon Australia Pty Ltd	Engineering	South West Rail Link extension business strategy and planning	56
BAE Systems Applied Intelligence	Information and technology	Electronic Ticketing System security assurance and program architect services	126
Cardno (NSW/ACT) Pty Ltd	Engineering	Northern Beach Bus Rapid Transit - active transport strategy	210
Corporate Property Solutions Pty Ltd	Engineering	Sydney Metro technical reviews	71
Deloitte Access Economics Pty Ltd	Engineering	Review of Port Botany landside infrastructure strategy	54
Deloitte Touche Tohmatsu	Organisational review	Development of 2015-16 people plan	100

Category	Category	Project	Actual cost (\$'000)
Deloitte Touche Tohmatsu	Finance and accounting	Capital investment assurance policy and framework	169
Enterprise IT Resources Pty Ltd	Organisational review	Enterprise & business architecture study	77
Ernst & Young	Management services	Electronic Ticketing System Accessibility Solutions Strategy	447
Ernst & Young	Management services	Advisory service to support the Ticketing and Concession Branch in developing and implementing accessibility management strategy	200
Ernst & Young	Engineering	Evaluation on Maldon to Dombarton	88
Elev8 Pty Ltd	Organisational review	Phase 1 organisational structure of IT service delivery operating model review	92
Everything Infrastructure	Engineering	Preliminary Investigation into Fuels Transportation by Rail in NSW	139
GHD Pty Ltd	Environmental	Freight Noise Attenuation Program Noise monitoring	71
GHD Pty Ltd	Environmental	Environment impact assessment-measurement of brake noise from freight wagons	96
GHD Pty Ltd	Engineering	Friction assessment Sydney rail network	80
Greythorn Pty Ltd	Information and technology	Active directory architect reform	75
Independent Pricing & Regulatory Tribunal	Finance and accounting	The 2015 Private Ferry Services Fare Review	85
ITWORKS Consulting Pty Ltd	Engineering	Consulting for the NSW Register of Road Safety Auditor Proposal	52
Jacobs Group Australia Pty Ltd	Engineering	Brake noise testing	54
KPMG	Management services	Consulting services on long-term capital program	205

Category	Category	Project	Actual cost (\$'000)
KPMG	Finance and accounting	Capital Program support: management support services	694
L.E.K Consulting	Engineering	Loading zone space management project	294
Litmus Groups Australia	Information and technology	Contact centre operating model services review	78
McLean Transit Consulting Services	Management services	Consultancy with NSW charities on Opal impacts	58
Mott MacDonald Australia	Engineering	TDM Strategy for Sydney Light Rail	272
Pacific Rail Engineering Pty Ltd	Engineering	Updating rolling stock standard phase 2	86
Phillip Gaffney Consulting Ltd	Engineering	Sydney Metro technical reviews	61
PricewaterhouseCoopers	Finance and accounting	Opal fare box revenue forecasting	92
PricewaterhouseCoopers	Information and technology	Consulting services for the As-Is technology assessment	55
PricewaterhouseCoopers	Finance and accounting	Financial assessment review of Cubic Corporation and selected subcontractors	51
PricewaterhouseCoopers	Engineering	Containerised cargo demand assessment – northern and central western regions	103
PricewaterhouseCoopers	Information and technology	Customer channel transformation	90
PricewaterhouseCoopers	Organisational review	Electronic Ticketing System business case current state assessment	197
PricewaterhouseCoopers	Information and technology	Review on Ticketing and Concession branch – MST ticketing services	136
PricewaterhouseCoopers	Organisational review	Support the integration of Ticketing and Concessions Branch through change management and implementation support	281
PricewaterhouseCoopers	Information and technology	Business intelligence action plan	305

Category	Category	Project	Actual cost (\$'000)
PwC Strategy (Australia) Pty Ltd	Engineering	Construction materials supply chain investigation	336
Quay Consulting Pty Ltd	Information and technology	Program architect services	110
Rail Planning Services Pty Ltd	Engineering	Lubrication Strategy Phase 2	90
Richard Leeder Consulting Pty Ltd	Information and technology	Technical consultancy services in Electronic Ticketing System Solution and contract management team	219
RPS Manidis Roberts Pty Ltd	Information and technology	Mapping technical illustration	119
Salesforce.com Singapore Pty Ltd	Information and technology	Develop conceptual design for customer complaints management system	121
SLR Consulting Australia Pty Ltd	Environmental	Consultancy on Freight Noise Attenuation Program	105
SMEC Australia Pty Ltd	Information and technology	Harmonising travel demand management	121
Stone Path Consulting	Information and technology	Transport Access Program final business case development	113
Synergy Management Services Pty Ltd	Engineering	Sydney Metro technical reviews and commercial advice	127
The Engineering Agency Pty Ltd	Environmental	Freight Noise Attenuation Program treatment trial	220
The Trustee for Deloitte	Finance and accounting	Roads and Maritime Services Fuel Tax Credit Consulting Services	154
The University of Sydney	Engineering	Rail Benchmarking Project 2015	76
Threat Vector X Pty Ltd	Information and technology	2016 NSW Transport Tech Summit, business and communication strategy input	130
UGL Engineering Pty Ltd	Environmental	Freight Noise Attenuation Program treatment trial	195
Viendi Consulting Pty Ltd	Engineering	Victoria Road Bus Rapid Transit Program	84

## Land disposal

Transport for NSW acquires and holds properties to construct major projects in accordance with its 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.

In 2015-16, a property at 108 Miller Street, Pyrmont, was sold for \$21.95 million. Proceeds will be used to fund ongoing transport projects.

No properties were sold to people with a family or business connection to the person responsible for approving the disposal. All documents relating to disposal of properties are available under the *Government Information (Public Access) Act 2009*.

## Payment of accounts

Payment of accounts is closely monitored to ensure accounts are paid in accordance with NSW Treasury directions. Process improvements across Transport for NSW and related entities are being undertaken to further improve payment on time performance.

Quarter	<30 days	<60 days	<90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
September	\$1,046,887	\$4,362	\$699	\$943	\$1,052,892
December	\$1,090,939	\$12,567	\$1,660	\$953	\$1,106,119
March	\$763,628	\$16,334	\$6,194	\$2,304	\$788,459
June	\$1,694,399	\$16,179	\$3,864	\$2,362	\$1,716,803

Quarter	Sept	Dec	Mar	Jun
Dollar amount of accounts due for payment (\$'000)	\$1,052,892	\$1,106,119	\$788,459	\$1,716,803
Dollar amount of accounts paid on time (\$'000)	\$969,420	\$1,065,929	\$711,958	\$1,648,144
Actual percentage accounts paid on time (\$ based)	92.07%	96.37%	90.30%	96.00%
Target	95%	95%	95%	95%

## Time for payment of accounts

Quarter	Sept	Dec	Mar	Jun
Number of payments for interest on overdue accounts	0	0	0	0
Interest paid on overdue accounts	0	0	0	0

## SMALL BUSINESS SUPPLIERS

Quarter	<30 days	<60 days	<90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
September	\$2,551	\$10	\$0	\$0	\$2,561
December	\$2,129	\$34	\$10	\$0	\$2,174
March	\$2,986	\$59	\$29	\$20	\$3,094
June	\$3,587	\$1	\$37	\$0	\$3,626

### Implementation of price determination

The Independent Pricing and Regulatory Tribunal (IPART) determines maximum fares for the following services:

- Sydney Trains and NSW TrainLink Intercity Services
- Metropolitan and outer metropolitan buses
- Rural and regional buses
- Sydney Ferries
- Stockton Ferry.

There were no increases to Opal fares or paper tickets for Sydney Trains, buses, light rail and Sydney Ferries in 2015-16. IPART determined there would be no changes to maximum fares for rural and regional buses on 1 January 2016.

Transport for NSW establishes maximum fares for private ferry and taxi services based on recommendations from IPART. Transport for NSW also sets fares for light rail.

Based on IPART's advice, Transport for NSW kept maximum taxi fares at 2014-15 levels.

There was no change to maximum fares for Central Coast, Cronulla and National Park ferries and Matilda Cruises.

There were no increases to Opal fares or paper tickets for the Stockton Ferry.

In December 2015, Transport for NSW accepted IPART's recommended fare changes for private ferry maximum fares.

These included the following services:

- A 30 cent increase for Brooklyn, Church Point and Clarence River.
- A 10 cent increase for Palm Beach.

Released in May 2016, IPART's final report included a large number of recommendations improving fare integration and financial sustainability for the Opal public transport network. The NSW Government adopted IPART's three key recommendations which include:

1. Introduction of a \$2 'transfer discount' for Adult Opal card customers (\$1 for concessions) every time they change modes of transport during a single journey.
2. Changing the Opal Travel Reward to provide for a 50 per cent discount to all journeys after eight paid journeys have been made in a week. This change strikes a balance between discounted public transport and ensuring a sustainable transport system.
3. Increasing the price premium for single trip tickets to approximately 20 per cent over the equivalent Opal card fares.

The changes were introduced on 5 September 2016. The NSW Government also announced that there would be no increases to Opal card fares until July 2017. This means fares will not have increased on trains and ferries since January 2015 or on buses and light rail since 2014.

## Economic and other factors

The global economy is expected to grow modestly in 2016 following slower growth in 2015. Despite the difficulties for resources producers caused by falling oil prices and a dramatic decrease in resources investment in Queensland and West Australia, the Australian economy is faring reasonably well.

Global demand for Australian exports is forecast to significantly increase by 2050, driven by increasing global populations with a greater per capita income and an increase in e-commerce-based domestic parcel delivery. In NSW, the freight task is expected to double by 2031 to 794 million tonnes; and rail freight is forecast to increase by 66 per cent by 2030. This growth will place the transport and freight networks under increasing pressure.

Sydney's population is projected to reach 5.8 million by 2031, with approximately 664,000 new homes expected to be built in Greater Sydney during the period. New residential construction attracts population growth, but will also place demands on the level and distribution of transport infrastructure and services.

There is a strong portfolio of new engineering projects especially in the road and rail sectors. These projects will address the demands created from increasing population and route capacity constraints. Many of the 'game changing' projects will be based in and around Sydney. For example, WestConnex, Sydney and Parramatta Light Rail and Sydney Metro City and Southwest with its tunnel extensions and eight new stations between Chatswood to Sydenham.

While construction costs are not likely to increase, the infrastructure program may exert pressure on resources such as labour materials, plant, engineering and equipment. This could impact delivery of the infrastructure program and need to be managed accordingly so all projects can be delivered on time and on budget.

## Response to matters raised by the NSW Auditor General

The Auditor General expressed an unmodified opinion on the Statutory Audit Reports for the year ended 30 June 2016 and raised one significant matter in relation to the impairment of leased buses.

Transport for NSW recognised an impairment loss of \$179 million against the carrying values of the TfNSW bus fleet leased from State Transit Authority in the 2015-16 financial accounts. The Audit Office recommended that during 2016-17, management consider whether this impairment has implications for the value of the portion of the bus fleet leased from private operators.

Transport for NSW will work closely with NSW Treasury to consider impairment implications in relation to all its bus fleet assets that are leased from State Transit Authority as well as private bus operators. This will be considered and resolved prior to the finalisation of the 2016-17 accounts.

## External Annual Report Production Cost

All concept design and infographics associated with the following Transport cluster annual reports were completed in-house:

- Transport for NSW
- State Transit Authority
- RailCorp
- Sydney Trains
- NSW Trains
- Port Authority of NSW.

Contractors were employed to ensure TfNSW annual report was WCAG Compliant at a cost of \$7,698. Proofreading was also employed for quality assurance purposes at a cost of \$950.

## Disclosure of Controlled Entities

The Department of Transport for the purpose of financial reporting had the following controlled entities for which it prepared consolidated financial statements as at 30 June 2016:

Controlled Entity	Objectives	Operations	Performance measures and targets
Sydney Ferries	Deliver safe and reliable Sydney ferry services in an efficient, effective and financially responsible manner.	Sydney Ferries owns the ferry fleet but does not operate ferry services.	Customer service objectives, contractual obligations and performance targets relating to contracted ferry service operators are specified in the Ferry Services Contracts.
State Transit Authority of NSW	State Transit Authority works collaboratively with TfNSW to achieve or exceed all customer service objectives, contractual obligations and performance targets as specified in the Sydney Metropolitan and the Outer Metropolitan Bus Service Contracts.	State Transit operates as a service provider in the Transport cluster managed by Transport for NSW.  Operating two businesses – Sydney Buses and Newcastle Buses and Ferries – State Transit carries more than 200 million passengers every year.	Key performance measures and targets for State Transit Authority are: <ul style="list-style-type: none"> <li>• Maintain or improve reliability of public transport services – measured using on-time running measures with targets of 95% of bus services run on time.</li> <li>• Improve customer satisfaction with key Government services – measured using Customer Satisfaction ratings for Public Transport modes and roads.</li> </ul>
NSW Trains	NSW Trains works collaboratively with TfNSW to achieve or exceed all customer service objectives, contractual obligations and performance targets as specified in the Rail Services Contracts.	NSW Trains is a multi-modal regional transport delivery organisation, dedicated to intercity and regional customers, trading as NSW TrainLink.  NSW TrainLink provides intercity, regional and interstate rail and coach services for customers travelling longer distances, who need comfortable and reliable services with on-board facilities.	Key performance measures and targets for NSW Trains are: <ul style="list-style-type: none"> <li>• Maintain or improve reliability of public transport services – measured using punctuality and on-time running measures with targets of 92% of rail services.</li> <li>• Improve customer satisfaction with key Government services – measured using Customer Satisfaction ratings for Public Transport modes and roads.</li> </ul>

<b>Controlled Entity</b>	<b>Objectives</b>	<b>Operations</b>	<b>Performance measures and targets</b>
Sydney Trains	Sydney Trains works collaboratively with TfNSW to achieve or exceed all customer service objectives, contractual obligations and performance targets as specified in the Rail Services Contracts.	Sydney Trains commenced operations on 1 July 2013 and is the operator and maintainer of rail services across the metropolitan Sydney area, bounded by Berowra, Emu Plains, Macarthur and Waterfall.	Key performance measures and targets for Sydney Trains are: <ul style="list-style-type: none"> <li>• Maintain or improve reliability of public transport services – measured using punctuality and on-time running measures with targets of 92% of rail services.</li> <li>• Improve customer satisfaction with key Government services – measured using Customer Satisfaction ratings for Public Transport modes and roads.</li> </ul>
Rail Corporation New South Wales (Railcorp)	RailCorp's principal role is owner of major rail and rail property assets in New South Wales.	RailCorp owns the rail network, stations, the majority of property and certain rolling stock and but does not operate rail services.	Customer service objectives, contractual obligations and performance targets relating to RailCorp's public subsidiaries' operations are specified in the Rail Services Contract.
Roads and Maritime Services	Roads and Maritime Services works collaboratively with TfNSW to deliver projects and programs that enable safe and efficient journeys of people and goods throughout NSW by various transport modes.	Roads and Maritime Services implements initiatives to improve the movement of people by various transport modes, including public transport (bus and ferry), cycling and walking and motor vehicles. We also deliver initiatives to improve the movement of goods on the freight network, by improving accessibility and infrastructure.	Key performance measures and targets for Roads and Maritime Services are: <ul style="list-style-type: none"> <li>• Reduce road fatalities by at least 30% by 2021- measured using Road Fatalities in NSW per 100,000 Population.</li> <li>• 90% of peak travel on key road routes is on time.</li> <li>• Improve customer satisfaction with key Government services – measured using Customer Satisfaction rating for roads.</li> <li>• Key Infrastructure projects to be delivered on time and on budget across the State.</li> </ul>

Controlled Entity	Objectives	Operations	Performance measures and targets
Transport for NSW	<p>The objectives of Transport for NSW are:</p> <ul style="list-style-type: none"> <li>to plan for a transport system that meets the needs and expectations of the public,</li> <li>to promote economic development and investment,</li> <li>to provide integration at the decision-making level across all public transport modes,</li> <li>to promote greater efficiency in the delivery of transport infrastructure projects,</li> <li>to promote the safe and reliable delivery of public transport and freight services.</li> </ul>	<p>TfNSW has the following general functions:</p> <ul style="list-style-type: none"> <li>Transport planning and policy, including for integrated rail network, road network, maritime operations and maritime transport and land use strategies for metropolitan and regional areas.</li> <li>The administration of the allocation of public funding for the transport sector, including the determination of budgets and programs across that sector.</li> <li>The planning, oversight and delivery of transport infrastructure in accordance with integrated transport and land use strategies and available financial resources, including prioritising of expenditure and projects across the transport system.</li> </ul>	<p>Key performance measures and targets for TfNSW are:</p> <ul style="list-style-type: none"> <li>90% of peak travel on key road routes is on time – Measured using Journey Time Reliability.</li> <li>Reduce road fatalities by at least 30% by 2021 – measured using Road Fatalities in NSW per 100,000 Population.</li> <li>Maintain or improve reliability of public transport services – measured using punctuality and on-time running measures with targets of 92% of rail services punctuality, 95% of bus services run on time, 98.5% of ferry services run on time, and 90% of light rail services run on time.</li> <li>Improve customer satisfaction with key Government services – measured using Customer Satisfaction ratings for Public Transport modes and roads.</li> <li>Key infrastructure projects to be delivered on time and on budget across the State.</li> </ul>
Transport Service of New South Wales	<p>The Government of New South Wales may employ persons in the Transport Service to enable the following bodies (and their public subsidiary corporations) to exercise their functions:</p> <ul style="list-style-type: none"> <li>TfNSW</li> <li>State Transit Authority</li> <li>Roads and Maritime Services.</li> </ul>	<p>The Transport Secretary exercises, on behalf of the Government of New South Wales, the employer functions of the Government in relation to the staff employed in the Transport Service.</p>	<p>Not applicable.</p>

Each of the entities provides transport related services and while the consolidated financial statement provides the financial results of the group, each entity also prepared separate financial statements as at 30 June 2016.

NSW Treasury provided an exemption to Transport for NSW from preparing consolidated financial statements on the basis that the Department of Transport, as the ultimate parent entity, prepares consolidated financial statements.

### Disclosure of subsidiaries

Transport for NSW has no subsidiary companies as at 30 June 2016.

### Budget

The 2015-16 and 2016-17 budgets for Transport for NSW (including Department of Transport, Transport for NSW and the Transport Service of New South Wales) are detailed in the 2016-17 Budget Papers. The financial information in this section is extracted from the 2016-17 Budget Papers and not the audited financial statements.

Total Expenses of \$14 billion included \$9.5 billion grants and subsidies to transport service providers, local government authorities and not-for-profit community organisations. During the year, \$1.1 billion of budgeted service contract payments were transferred from grants and subsidies to other expenses, to better align to accounting standards.

Total Revenue budget of \$14.6 billion included \$10.7 billion of appropriation from Treasury and \$3.4 billion from the sale of goods and services. The latter includes the recovery of employee related expenses from other Cluster operating agencies by the Transport Service; and fees received for the delivery of capital works on behalf of other cluster agencies, in particular RailCorp.

The increase in grants and contributions in the 2015-16 revised and 2016-17 budgets primarily relates to Rebuilding NSW grants to Transport for NSW for Sydney Metro City and Southwest and B-Line.

CBD Western Fringe, Sydney.



## Financial statements

### OPERATING STATEMENT

	2015-16		2016-17
	Budget \$000	Budget \$000	Budget \$000
<b>Expenses excluding losses</b>			
Operating expenses			
- Employee related	1,712,547	1,879,367	1,942,580
- Other operating expenses	2,376,696	2,219,931	2,281,193
Depreciation and amortisation	267,305	310,808	306,212
Grants and subsidies	9,553,259	8,107,513	8,752,071
Finance and costs	97,890	86,597	89,861
Other expenses	25,753	1,109,588	1,141,066
<b>Total expenses excluding losses</b>	<b>14,033,450</b>	<b>13,713,804</b>	<b>14,512,983</b>
<b>Revenue</b>			
Appropriation	10,696,357	10,220,180	11,477,595
Sales of goods and services	3,444,217	3,424,059	3,545,489
Investment revenue	4,784	9,033	6,489
Retained taxes, fees and fines	2,364	2,864	3,417
Grants and contributions	376,944	1,311,941	2,107,756
Acceptance by Crown Entity of employee benefits and other liabilities	29,966	53,372	49,039
Other revenue	-	25,500	-
<b>Total revenue</b>	<b>14,554,632</b>	<b>15,046,949</b>	<b>17,189,785</b>
Gain/(loss) on disposal of non current assets	-	(2,362)	-
Other gains/(losses)	-	(800)	-
<b>Net result</b>	<b>521,182</b>	<b>1,329,983</b>	<b>2,676,802</b>

Note 1: The increase in grants and contributions in the 2015-16 Revised and 2016-17 Budget primarily relates to Rebuilding NSW grants to Transport for NSW for Sydney Metro City and Southwest and B-Line.

### **After balance date events**

RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE). TAHE is a dedicated asset manager which may eventually hold all the public transport assets for the State transferred progressively over the next few years.

### **Liability management performance**

Transport for New South Wales enters into a combination of borrowings in order to construct a diversified debt portfolio. The construct of the portfolio is reviewed regularly to ensure it matches business needs.

There is no comparative performance measurement, as the performance of the actual debt portfolio equals the performance of the benchmark portfolio. This is the case for all debt portfolios that NSW Treasury Corporation (TCorp) manages across the Public Sector, and is included in Section 3.2 of TfNSW's Treasury Risk Management Policies (2011).

### **Exemptions**

The Treasurer, under section 45E of the Public Finance & Audit Act 1983, has approved exemptions from full compliance with the Financial Reporting Code.

The exemptions were:

- Transport for NSW is not required to prepare consolidated financial statements on the basis that its controlled entities are included in the Department of Transport's consolidated financial statements.
- Maintenance expenses and liabilities for employees' benefits are not required to be separately disclosed in the statement of comprehensive income and the statement financial position (respectively) on the basis of their materiality and greater transparency. The exemption does not impact on the financial performance of the Department.

## 6.3 Human resources

### Management and structure

#### DEPARTMENT OF TRANSPORT

Name	Position	Qualification
Tim Reardon	Secretary	Bachelor of Technology (Engineering & Management), Graduate Certificate in Natural Resources, Diploma of Engineering (Civil), Business Management Certificate, AIM Company Directors Diploma, AICD

#### TRANSPORT FOR NSW

Name	Position	Qualification
Tim Reardon	Secretary	Bachelor of Technology (Engineering & Management), Graduate Certificate in Natural Resources, Diploma of Engineering (Civil), Business Management Certificate, AIM Company Directors Diploma, AICD
Tony Braxton-Smith	Deputy Secretary, Customer Services	Master of Business Administration
Rodd Staples	Project Director Sydney Metro Delivery Office	Bachelor of Engineering (Civil), Master of Finance (Business)
Clare Gardiner-Barnes	Deputy Secretary, Freight Strategy and Planning	Dip Teach (Primary) Grad Dip Arts (Leadership) Master of Social Welfare Administration and Planning
Peter Regan	Deputy Secretary, Finance and Investment	BComm (Accounting and Finance), UNSW Chartered Accountant (Institute of Chartered Accountants Australia)
Fran McPherson	Deputy Secretary, People and Corporate Services	Executive Management Certificate, FAIM Graduate Studies in Public Sector Management
Andrew Summers	Project Director, Sydney Light Rail Development Office	BSc (hons) First Class, Electrical and Electronic Engineering Graduate Member of the Australian Institute of Company Directors

Name	Position	Qualification
Marg Prendergast	Coordinator General, CBD Coordination Office	Bachelor of Economics Graduate Diploma in Urban & Regional Planning
John Karaboulis	Acting Deputy Secretary, Infrastructure and Services	Civil Engineering (Cert) Graduate Certificate in Executive Business Administration Company Directors, AICD

### TRANSPORT ADVISORY BOARD

The Minister for Transport and Infrastructure is responsible for Part 5 of the *Transport Administration Act 1988* which establishes the Transport Advisory Board.

The Transport Advisory Board provides expert advice to the Minister and the Secretary on strategic transport planning, prioritising, financing, delivering major transport projects and other advice, as required by the Minister.

Tim Besley (Chairman), Andrea Staines, Brendan Lyon and Paul Forward ('the Current Members') were first appointed as members of the Transport Advisory Board in May 2012. The Transport Secretary is a member of the Transport Advisory Board.

The Transport Advisory Board meets monthly and provided a number of advices during the reporting period. This included the following issues:

- Customer Satisfaction
- Innovation
- Northern Beaches Bus Rapid Transit
- Point to Point Regulation
- Newcastle Transport.

### Human resources

Transport for NSW headcount (inclusive of Department of Transport) increased to 3239 which is equivalent to full time equivalent (FTE) of 3,182.44. Growth in capably funded projects within Transport for NSW contributed to the increase.

The following table shows the Transport for NSW salary information (excluding cadets, scholars and contractors/labour hire) comparable with the previous three years:

Annual salary	15-16 Total headcount			14-15 Total headcount			13-14 Total headcount			12-13 Total headcount		
	F	M	Total	F	M	Total	F	M	Total	F	M	Total
<\$50,000	0	2	2	3	3	6	5	7	12	4	5	9
\$50,001 - \$75,000	333	183	516	354	207	561	376	233	609	129	69	198
\$75,001 - \$100,000	424	265	689	420	298	718	445	381	826	257	231	488
\$100,001 - \$125,000	366	485	851	376	502	878	278	379	657	163	202	365
\$125,001 - \$150,000	175	254	429	98	199	297	62	136	198	65	144	209
>\$150,001*	201	551	752	195	574	769	170	526	696	118	297	415
<b>TOTAL</b>	<b>1499</b>	<b>1740</b>	<b>3239</b>	<b>1446</b>	<b>1783</b>	<b>3229</b>	<b>1336</b>	<b>1662</b>	<b>2998</b>	<b>736</b>	<b>948</b>	<b>1684</b>

Note 1: F (Female) and M (Male).

Note 2: \*Includes TfNSW Senior Service receiving a total remuneration package.

Note 3: Employees in acting arrangements more than 90 days are recorded in the applicable (effective) salary range.

The following table shows the Department of Transport (excludes cadets, casuals and contractors/labour hire) salary information comparable with the previous three years:

Annual salary	15-16 Total headcount			14-15 Total headcount			13-14 Total headcount			12-13 Total headcount		
	F	M	Total	F	M	Total	F	M	Total	F	M	Total
Unknown	0	0	0	0	0	0	0	0	0	2	6	8
<\$50,000	0	0	0	0	0	0	0	1	1	2	1	3
\$50,001 - \$75,000	0	0	0	1	0	1	1	0	1	20	8	28
\$75,001 - \$100,000	0	0	0	0	0	0	2	0	2	17	33	50
\$100,001 - \$125,000	0	0	0	0	0	0	3	7	10	9	11	20
\$125,001 - \$150,000	0	0	0	0	0	0	2	4	6	10	12	22
>\$150,001*	0	1	1	0	1	1	2	3	5	1	4	5
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>10</b>	<b>15</b>	<b>25</b>	<b>61</b>	<b>75</b>	<b>136</b>

Note 1: F (Female) and M (Male).

Note 2: Headcount and FTE includes Secretary's position.

Note 3: Excludes casuals in Department of Transport (4).

Transport for NSW's human resource policy framework aligns to the Transport values, and modern, streamlined human resource management approaches. Where appropriate, consistent policies are developed and applied across the Transport cluster to embed these practices.

During 2015-16, two corporate policies were published:

- Transport Entry Level Program Policy
- Transport Managing Conduct & Discipline Policy.

Salaries, wages and allowances moved in accordance with the Government's wages policy. Staff employed under the provisions of the Transport for NSW Salaries and Conditions of Employment Award 2015 received an annual increase of 2.5 per cent from 1 July 2015. New flexible working arrangements were also negotiated under the 2015 Award to underpin the travel choices agenda supporting the delivery of major transport infrastructure works.

Transport for NSW communicates with its employees to ensure they are informed on a broad range of topics and issues through various channels. In addition, senior management consults with employees and relevant unions and

the peak union body (Unions NSW) on matters that potentially impact staff. This includes proposed structural and other changes.

The consultative approach adopted by Transport for NSW accords with the principles contained in the Consultative Arrangements: Policy and Guidelines 2012 issued by Treasury. The major focus for union consultation over the year was the structural changes implemented under the Transport for NSW Reform Program.

Senior managers also deal with issues raised by unions on behalf of individual staff. The relevant unions are the Public Service Association, the Rail, Tram and Bus Union, the Australian Services Union and Professionals Australia.

No disputes were notified to the Industrial Relations Commission of NSW in relation to staffing covered by the Transport for NSW Salaries and Conditions of Employment Award 2015.

The combined transport unions lodged a dispute with the Industrial Relations Commission relating to the NSW Government's decision to franchise Newcastle bus and ferry services currently operated by the State Transit Authority.

## Workforce diversity

Information about the representation and distribution of Transport for NSW employees in diversity groups is reported in accordance with Public Service Commission reporting requirements. It is outlined in Section 4.6 of page 46 of this annual report.

Additional statistics for the representation and distribution of employees include:

Workforce diversity group	Benchmark/ target	2014	2015	2016
Women	50.0%	44.3%	44.7%	46.2%
Aboriginal People and Torres Strait Islanders*	1.8%	0.3%	0.8%	1.06%
People whose first language spoken as a child was not English	19.0%	18.7%	18.5%	18.6%
People with a disability	N/A	2.1%	2.2%	2.2%
People with a disability requiring work-related adjustment	1.5%	0.5%	0.5%	0.5%

Note 1: \*This target has been adjusted to align with the aspirational target of 1.8% by 2021.

## Disability Inclusion Action Plans

The Transport for NSW *Disability Action Plan 2012-2017* forms an important initiative to ensure that customer needs are placed at the centre of planning and decision-making on the transport system.

The Plan comprises more than 150 actions impacting all aspects of Transport for NSW's operations. It continues to help deliver high quality customer service through improved transport accessibility, products and facilities.

In 2015-16 the vast majority (99 per cent) of planned actions were either completed or in progress.

### BUILDING AN ACCESSIBLE TRANSPORT NETWORK

Target	Performance
Progressively undertake works to upgrade railway stations and interchanges to improve access for all customers	<ul style="list-style-type: none"> <li>152 stations (49.5 per cent) on the Sydney Trains and NSW Trains (Intercity) networks are wheelchair accessible. This covers 83.6 per cent of overall patronage. Nine station upgrades are in the planning or design phase and 9 are under construction.</li> <li>57 per cent of Sydney Harbour commuter wharves are now compliant with disability standards for Accessible Public Transport. Two wharf upgrades were completed and an additional eight upgrades are underway.</li> <li>All Sydney Ferries' vessels are accessible to people using essential mobility aids.</li> <li>100 per cent of light rail stops are accessible.</li> </ul>
Continue to improve the accessibility of the bus network	<ul style="list-style-type: none"> <li>1900 buses (88 per cent of the State Transit Authority fleet) are now accessible.</li> <li>78 per cent of all contracted buses in the Sydney metropolitan and outer-metropolitan areas are now accessible.</li> </ul>

## REDUCING TRANSPORT DISADVANTAGE FOR PEOPLE WITH DISABILITY

Target	Performance
Provide alternative transport service for people with disability who are unable to access public transport	<p>Recent reforms to the point-to-point transport industry will increase the availability of Wheelchair Accessible Taxi (WAT) services to those who need them by:</p> <ul style="list-style-type: none"> <li>• Reducing to zero the cost of taxi licences for WATs in metropolitan areas (in line with the rest of NSW)</li> <li>• Increasing the WAT driver incentive payment from \$7.70 to \$15</li> <li>• Increasing the Taxi Transport Subsidy Scheme cap from \$30 to \$60 per trip</li> <li>• The WAT interest-free loans scheme has been extended. Applicants can now receive loans of up to \$100,000 to cover the full cost of putting a WAT on the road. Loans will be targeted at areas with insufficient supply.</li> </ul>
Improve access to transport for people with a disability in rural communities	<ul style="list-style-type: none"> <li>• 43 NSW TrainLink stations in regional NSW are accessible, with four stations in the process of being upgraded.</li> <li>• The Transport Access Program has improved accessibility, safety and amenity at stations in Thirroul, Gosford, Springwood, and Yass Junction.</li> <li>• All NSW TrainLink coach services are accessible as are all Oscar, Endeavour, XPT and XPLOERER trains.</li> </ul>

## IMPROVING THE JOURNEY EXPERIENCE OF PEOPLE WITH DISABILITY

Target	Performance
Deliver a fully accessible electronic ticketing system	The (optional) free travel Opal card was introduced for customers holding a Vision Impaired Person's Travel Pass. It can be used to open gates automatically at stations and ferry wharves without staff assistance.
Introduce practical measures to improve the journey experiences of people with disability or restricted mobility	Smart phone app, Stop Announcer (NSW), is designed for customers with vision impairment and provides audio notifications of stops made along a route as customers approach and arrive at their stop.

**ENHANCING CUSTOMER INSIGHT AND ENGAGEMENT OF PEOPLE WITH DISABILITY OR RESTRICTED MOBILITY**

<b>Target</b>	<b>Performance</b>
Offer tailored journey planning for people with disability	<p>Real-time travel apps such as abil.io and Metarove are assisting customers with disability to access transport services:</p> <ul style="list-style-type: none"> <li>• abil.io enables limited mobility customers to plan their trip with comfortable walking distances that avoid significant slopes and stairs.</li> <li>• Metarove has highly customisable features, including walking speed, maximum distance and an accessible journeys display.</li> </ul>
Increase our insight into the travel needs of customers with disability and older people through qualitative research on their journey experiences	<ul style="list-style-type: none"> <li>• The Accessible Transport Advisory Committee, comprising representatives from diverse disability and ageing organisations, met four times to provide expert guidance on access and inclusion to transport.</li> <li>• User testing has been conducted by people with disability to assure the accessibility of new infrastructure including: <ul style="list-style-type: none"> <li>- Tactile hazard perception strips for the George Street pedestrian zone</li> <li>- A prototype station and platform for the North West Train Link project</li> <li>- Accessibility spaces for the internal cabins of new ferries.</li> </ul> </li> </ul>

**Promotion (overseas travel)**

Transport for NSW staff undertake overseas travel to gather vital infrastructure and service delivery information, attend conferences to promote NSW expertise in service delivery, further develop public administration practices, and to progress transport service commitments.

<b>Date</b>	<b>Officer</b>	<b>Destination</b>	<b>Purpose</b>
06/07 to 11/07/2015	Gail Le Bransky	United Kingdom	Spoke at two international conferences and visited Transport for London.
15/07 to 17/07/2015		Portugal	1st International Conference on Transport & Health in London, and TRANSED Lisbon 2015, the pre-eminent international showcase on innovations and research in delivering accessible and inclusive transport.
27/07 to 31/07/2015			
07/07/2015	Timothy Reardon	United Kingdom	Met with the Commissioner of Transport for London and made a site visit of the CrossRail Project.

<b>Date</b>	<b>Officer</b>	<b>Destination</b>	<b>Purpose</b>
14/07/2015	Fergus Gammie	United Kingdom Hong Kong	UK Government-to-Government trade mission that included opportunity to: <ul style="list-style-type: none"> <li>• Met with Senior Government Rail</li> <li>• Learn how the UK has dealt with transport growth &amp; service improvement</li> <li>• See Hong Kong Mass Transit Rail.</li> </ul>
30/08 to 31/10/2015	Tanya Anchugov	United Kingdom	Witnessed factory acceptance testing for the Cash on System Project.
30/08 to 31/10/2015	Evelyn Soliven	United Kingdom	Witnessed factory acceptance testing for the Cash on System Project.
26/09 to 09/10/2015	Ivan Kraytchev	United Kingdom	Witnessed factory acceptance testing for the Cash on System Project.
20/09 to 29/09/2015	Wayne Harris	United Kingdom	Witnessed factory acceptance testing for the Cash on System Project.
14/09 to 15/09/2015	Marcus Cahill	USA	Present paper at next generation transport conference with Infrastructure NSW.
18/09/2015	Michael Drake	Canada USA	Represent Australia at Canadian Safe Boating Council.
07/09 to 16/09/2015	John Wall	Qatar United Arab Emirates	Presentation at the Intelligent Transport Systems & Road Safety Summit in Doha, Qatar. Delivered keynote address at the ITS Summit.
30/10 to 06/11/2015	Brendan Nugent	South Korea	Presented at World Road Congress (50 per cent paid by Austroads).
22/10/2015	Christopher O'Brien	The Netherlands	Port mission to The Netherlands.
14/12 to 16/12/2015	Steve Watson	Malaysia	Inspected the underslung gantry to be used in the Surface and Viaduct Civils contract works for Sydney Metro Northwest.
22/01 to 07/02/2016	Amit Kumar	United Kingdom USA	To undertake a risk assessment trip and to present at the Transport Ticketing and Passenger Information Global conference in London.

<b>Date</b>	<b>Officer</b>	<b>Destination</b>	<b>Purpose</b>
22/01 to 07/02/2016	Douglas Howe	United Kingdom USA	Undertaking due diligence with Transport for London and Chicago Transit Authority for future ticketing technologies and undertaken solution risk assessments to determine future ticketing options for Opal. Attendance at Transport Ticketing and Passenger Information Global conference to determine current best practice for ticketing solutions.
14/03 to 17/03/2016	Kelly Miller	New Zealand	Attended Austroads meetings and multiple meetings with New Zealand Transport.
01/04 to 10/04/2016	Simon Hussey	France	Inspect construction of Light Rail Vehicles that will be used on the CBD South East Light Rail Project.
13/03 to 20/03/2016	Rodd Staples	Singapore Hong Kong	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.
13/03 to 20/03/2016	Tom Gellibrand	Malaysia Hong Kong	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.
13/03 to 20/03/2016	Oliver Fried	Malaysia Hong Kong	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.
13/03 to 20/03/2016	Tim Collins	Singapore Hong Kong	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.

<b>Date</b>	<b>Officer</b>	<b>Destination</b>	<b>Purpose</b>
29/03 to 09/04/2016	David Jehan	India Singapore	Undertake Manufacturing Readiness Due Diligence review on the Sydney Metro train manufacturing facility and increase knowledge of contemporary Metro train solutions.
29/03 to 09/04/2016	Victor Prados-Valerio	India Singapore	Undertake Manufacturing Readiness Due Diligence review on the Sydney Metro train manufacturing facility and increase knowledge of contemporary Metro train solutions.
16/04 to 28/04/2016	Rodd Staples	France United Kingdom The Netherlands	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.
16/04 to 28/04/2016	Tim Parker	France United Kingdom The Netherlands	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.
16/04 to 28/04/2016	Oliver Fried	France United Kingdom The Netherlands	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.
16/04 to 28/04/2016	Tim Collins	France United Kingdom The Netherlands	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.
16/04 to 28/04/2016	Andrew Bare	United Kingdom Hong Kong	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.

Date	Officer	Destination	Purpose
16/04 to 28/04/2016	Stephen Spacey	United Kingdom Hong Kong	Improve the planning, design, delivery and management of Sydney Metro projects by researching lessons learnt, identification of best practice and approaches taken on similar complex metro rail projects in global cities.
21/04 to 22/04/2016	Jacinta Hargan	United Kingdom	Mentz User Conference, a vendor conference for knowledge transfer and directly support implementation of real-time in the Transport Info website.
07/05 to 16/05/2016	Gregory Nott	Belgium	Participate in the International Working Group on Land Transport Security and the European Commission Rail Security Conference.
27/06 to 30/07/2016	Rick Nabkey	Japan	To view testing and demonstration of key systems as part of the project's system verification phase.
27/06 to 03/07/2016	Warwick Simpson	Japan	To view testing and demonstration of key systems as part of the project's system verification phase.

### Multicultural Policies and Services Program

The Transport for NSW Secretary and Executive team have endorsed and continue to support the Multicultural Policies and Services Plan, which is a statutory requirement.

The Plan outlines how Transport for NSW and its operating agencies will respond to the NSW Government's multicultural objectives and incorporate multicultural principles into organisational processes and systems.

The Chief Executive Officers of the Operating Agencies are accountable for developing their own Multicultural Implementation Plan and the systems and processes that support their implementation.

Transport for NSW has identified objectives to ensure individuals from culturally and linguistically diverse backgrounds will:

- Confidently use transport services.
- Enjoy access transport services and information.

- Be satisfied with the quality of communications and cultural sensitivity of transport service and program delivery.
- Be able to share views and concerns which are integrated with policy and program development and service delivery.

Transport for NSW is committed to cultivating a multicultural workplace as a core function of transport agencies. We continue to make significant progress against these objectives. Key achievements are summarised below.

Information on the Opal website about obtaining and using the Opal card in 10 of the most common community languages: Arabic, Chinese, French, Greek, German, Italian, Japanese, Korean, Spanish and Vietnamese.

Specific information about special provisions for asylum seekers is provided in a further six languages. They are eligible to receive transport concessions to help them access social and community services and increase participation in society.

These include:

- Concession fares for trains, buses, most ferries and light rail.
- \$2.50 daily cap with Gold Senior/Pensioner Opal card.
- Reduced fares on regular local bus services outside the Opal network and all NSW TrainLink Regional services.
- \$2.50 daily cap with Country Pensioner Excursion ticket.
- \$2.50 daily cap with Regional Excursion Daily ticket.

Transport for NSW developed 'First Stop Transport' - an online resource supported by the Transport Info's 131 500 telephone number that helps people learn how to use public transport. This might include newly arrived migrants, asylum seekers, resettlement professionals or caseworkers. A link is also hosted on the Transport for NSW and Multicultural NSW Settlement Portal.

The car driver knowledge test, practice test and Driver Qualification Handbook are available in 10 community languages and the Road Users' Handbook in 11 languages.

We also ran 12 road safety campaigns which incorporated culturally and linguistically diverse advertising.

Various multicultural activities across Transport for NSW and its agencies have also been actively pursued. For example, the Secretary and staff attended a Transport cluster Harmony Day event in March 2016. The event included staff performances and a presentation by Australia's Race Discrimination Commissioner, Tim Soutphommasane.

## Work Health and Safety

Transport for NSW launched a three-year *Safety Strategic Plan* in December 2015 to guide creation of an improved safety culture. Transport for NSW's Safety Management System supports a consistent approach to workplace safety and encourages a proactive and supportive organisational culture.

Due diligence workshops were delivered to 107 senior leaders, and a six monthly due diligence forum. They reinforced understanding of obligations regarding Work Health and Safety legislation.

A strong focus remained on worker engagement about safety. A Transport for NSW Safety Consultation Forum allowed consultative representatives from across Transport for NSW to share ideas and discuss current initiatives.

Other training included bullying and harassment prevention, workplace health and safety induction, a fatigue awareness and management e-learning module, an alcohol and other drugs awareness e-learning module (addressing award requirements and Rail Safety Worker obligations) and ergonomic workstations.

Initiatives across the Transport cluster included a Safety Managers Forum and a Health and Wellbeing Community of Practice program that addressed both mental and physical health.

Monthly health and safety performance reports were also made to the Transport for NSW Executive team.

Transport for NSW Work Health and Safety category	Count
Number of events reported	81
Total days reported lost due to workplace-related injuries or illness	5
Prosecutions reported	0
Loss Time Injury Frequency Rate	0.39
Prosecutions under the Act	0
Workplace safety inspections	42
Percentage of planned Work Health and Safety consultation meetings held	100 per cent peak forum held April 2016

## Numbers and remuneration of Senior Executives

Transport Senior Service Level	Female	Male	Total
Senior Service Level 2	38	95	133
Senior Service Level 3	25	63	88
Senior Service Level 4	5	40	45
Senior Service Level 5	3	10	13
Senior Service Level 6	2	5	7
Total	73	213	286

Average total remuneration packages (TRP) of Senior Service Level (2 to 6) is \$271,568:

Transport Senior Service Level	Average Of TRP 2014-15	Average of TRP 2015-16
Senior Service Level 2	\$229,048	\$232,980
Senior Service Level 3	\$259,538	\$265,910
Senior Service Level 4	\$323,104	\$328,963
Senior Service Level 5	\$354,892	\$382,225
Senior Service Level 6	\$438,615	\$501,395

The 2015 Statutory and Other Offices Remuneration Tribunal determination was granted to employees employed in the Transport Senior Service classification. This provided a 2.5 per cent increase in remuneration. Increases were granted following assessment of the employee's performance.

### Public Interest Disclosures (PID) Act 1994

Transport for NSW has a Public Interest Disclosures Internal Reporting Policy in place. It was reviewed on 11 December 2015. The Public Interest Disclosures Internal Reporting Policy and Procedure are published on Transport for NSW's intranet and website.

The Secretary has approved and undertaken the following activities to ensure Transport for NSW staff and contractors are aware of the Act and Transport for NSW's internal reporting policies and procedures:

- The Public Interest Disclosures Internal Reporting Policy and Procedures have been placed on Transport for NSW's intranet where internal reporting hotlines and the Code of Conduct are also located. This includes information on the significance and purpose of the PID Act.
- Transport for NSW publishes news items on the intranet reminding staff and contractors of the Public Interest Disclosures Internal Reporting Policy and Procedure.
- Transport for NSW has increased the number of Nominated Disclosure Officers to 30. Training was conducted in-house by the NSW Ombudsman.
- Transport for NSW's fraud and corruption e-learning module, which is mandatory for all new starters, refers to the PID Act and the Transport for NSW Public Interest Disclosures Internal Reporting Policy and Procedure.
- Transport for NSW consulted with the NSW Ombudsman and created communication material with the message 'Report Corruption. We'll support you'. Each contains contact details for the 'Report misconduct' hotline and mailbox. These have been distributed throughout Transport for NSW.
- The Fraud and Corruption Prevention Unit includes Public Interest Disclosures awareness information and procedures for Transport for NSW staff in all face-to-face training sessions.

Information requests received by Transport for NSW are as follows:

<b>Information requested</b>	<b>Number</b>
Number of public officials who have made a Public Interest Disclosure (PID) to Transport for NSW	14
Total number of PIDs received	14
Total number of PIDs finalised	11
Number of PIDs received by category:	
- Corrupt conduct	12
- Maladministration	2
- Serious and substantial waste of public money or local government money (as appropriate)	0
- Government information contraventions	0
- Local government pecuniary interest contraventions	0
Number of PIDs finalised by Transport for NSW	
Public interest disclosures made by public officials in performing their day-to-day functions	1
Public interest disclosures not covered by above that are made under a statutory or other legal obligation	0
All other public interest disclosures	13

### **Requirements arising from employment arrangements**

Department of Transport and the Transport Service of New South Wales employ staff and provide personnel services to other agencies within the Transport cluster including Transport for NSW. Both entities have complied with NSW TC 15/07. Please refer to the 2015-16 Transport for NSW Annual Report Volume 2 for more information regarding the employment arrangements.

## 6.4 Legal

### Minister for Transport and Infrastructure

#### ADMINISTERED ACTS AND SUBORDINATE LEGISLATION

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*Air Navigation Act 1938*

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*Air Transport Act 1964*

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Air Transport Regulation 2006

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*Broken Hill to South Australian Border Railway Agreement Act 1968*

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*City of Sydney Act 1988*

(Part 4A and Schedule 2, jointly with the Minister for Roads, Maritime and Freight (remainder, the Minister for Local Government))

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*Civil Aviation (Carriers' Liability) Act 1967*

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*National Rail Corporation (Agreement) Act 1991*

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*Parking Space Levy Act 2009*

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Parking Space Levy Regulation 2009

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*Passenger Transport Act 1990*

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Passenger Transport (Drug and Alcohol Testing) Regulation 2010

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Passenger Transport Regulation 2007

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*Passenger Transport Act 2014*

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Passenger Transport Regulation 2014

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*Rail Safety (Adoption of National Law) Act 2012*

Rail Safety National Law National Regulations 2012 (South Australian regulations adopted for NSW by the Rail Safety National Law)

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Rail Safety (Adoption of National Law) Regulation 2012

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*Railway Construction (Maldon to Port Kembla) Act 1983*

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*Transport Administration Act 1988*

(The Act except the parts administered by the Minister for Roads, Maritime and Freight being the Act except Part 4A, Divisions 1 to 3, so far as it relates to Roads and Maritime Services, Part 6, and so much of the Act as relates to Roads and Maritime Services)

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Transport Administration (General) Regulation 2013

(provisions relating to the parts of the Act administered by the Minister for Transport and Infrastructure)

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Transport Administration (Staff) Regulation 2012

(provisions relating to the parts of the Act administered by the Minister for Transport and Infrastructure)

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## NEW ACTS AND AMENDMENTS TO ACTS IN THE PORTFOLIO

*Statute Law (Miscellaneous Provisions) Act 2015 (2015 No 15)*

*State Insurance and Care Governance Act 2015 (Act 2015 No 19)(Commencement Proclamation 2015 No 524)*

*Statute Law (Miscellaneous Provisions) Act (No 2) 2015 (No 58)*

*Passenger Transport Act 2014 (No 46)*

Commencement Proclamation 2016 No 93)

*Transport Administration Amendment (Closure of Railway Line at Newcastle) Act 2015 (2015 No 32)*

*Transport Administration Amendment (Authority to Close Railway Lines) Act 2016 (2016 No 3)*

*Fines Amendment Act 2016 (Act 2016 No 13)*

(Commencement Proclamation 2016 No276)

*Point to Point Transport (Taxis and Hire Vehicles) Act 2016 (2016 No 34)*

## NEW SUBORDINATE LEGISLATION AND AMENDMENTS TO SUBORDINATE LEGISLATION IN THE PORTFOLIO

Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2015 (2015 No 336)

Passenger Transport Amendment (Hire Cars in Rural Areas) Regulation 2015 (2015 No 477)

Transport Administration (General) Amendment (Light Rail) Regulation 2015 (2015 No 546)

Passenger Transport Amendment (Disclosure of Information) Regulation 2015 (2015 No 611)

Passenger Transport Amendment (Authorised Officers) Regulation 2015 (2015 No 638)

Passenger Transport Amendment (Transitional Appointments of Authorised Officers) Regulation 2015 (2015 No 639)

Rail Safety (Adoption of National Law) Amendment (Drug Testing of Oral Fluid Samples) Regulation 2015 (2015 No 737)

Passenger Transport Amendment (Taxis and Hire Cars) Regulation 2015 (2015 No 822)

Passenger Transport Amendment (Passenger Service Contracts) Regulation 2016 (2016 No 103)

Passenger Transport Amendment (Service Contracts Repeal) Regulation 2016 (2016 No 104)

Passenger Transport Amendment (Driver Indemnification) Regulation 2016 (2016 No 166)

Rail Safety National Law National Regulations Variation Regulations 2016 (2016 No 360) (to commence on 01.07.2016)

Rail Safety National Law National Regulations (Fees) Variation Regulations 2016 (2016 No 361) (to commence on 01.07.2016)

## **SIGNIFICANT JUDICIAL DECISIONS AFFECTING THE STATUTORY BODY OR THE SERVICE USERS IN ASSOCIATION WITH ACTS AND SUBORDINATE LEGISLATION**

A significant judicial decision in the Court of Appeal, Supreme Court of New South Wales where Transport for NSW was the 4th Respondent was made on 10 November 2015. It was in relation to the *Hunter Development Corporation v Save Our Rail NSW Incorporated* [2015] NSWCA 346.

This matter was an appeal from the judgment of the Supreme Court of New South Wales in *Save Our Rail NSW Inc v State of New South Wales by the Minister administering Transport for NSW* [2014] NSWSC 1875 in which Transport for NSW was the 3rd Defendant.

The Court of Appeal considered issues in relation to section 99A (Closure and disposal of railway lines) of the *Transport Administration Act 1988*. It found that the proposed termination of the Sydney to Newcastle line at Wickham Station would not constitute the closure of a railway line within the meaning of section 99A.

The appeal was allowed. The declaration made by the Supreme Court on 24 December 2014 was set aside. A cross-appeal by Save Our Rail NSW Incorporated was dismissed. Costs were ordered to be paid by Save Our Rail NSW Incorporated.

The Court commented that its reasons were substantially prepared prior to the enactment of the *Transport Administration Amendment (Closure of Railway Line at Newcastle) Act 2015* (on 22 October 2015). However that Act did not cause the Court to change its reasons on the appeal and cross-appeal as argued.

Save Our Rail NSW Incorporated has applied to the Court of Appeal for the Court to set aside its judgment and orders on the basis that the enactment of the *Transport Administration Amendment (Closure of Railway Line at Newcastle) Act 2015* had the effect of making the appeal futile. It has also applied to the High Court for special leave to appeal against the judgment of the Court of Appeal.

## **Minister for Roads, Maritime and Freight**

### **ACTS AND SUBORDINATE LEGISLATION ADMINISTERED BY THE MINISTER FOR ROADS, MARITIME AND FREIGHT**

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*City of Sydney Act 1988*

(Part 4A and Schedule 2, jointly with the Minister for Transport (remainder, the Minister for Local Government))

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*Driving Instructors Act 1992*

Driving Instructors Regulation 2009

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*Heavy Vehicle (Adoption of National Law) Act 2013*

Heavy Vehicle (Adoption of National Law) Regulation 2013

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*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 (Transitional) National Regulation (NSW)

Heavy Vehicle (Vehicle Standards) National Regulation (NSW)

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*Marine Pollution Act 2012*

Marine Pollution Regulation 2014

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*Marine Safety Act 1998*

Marine Safety (General) Regulation 2009

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*Marine Safety Legislation (Lakes Hume and Mulwala) Act 2001*

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*Maritime Services Act 1935*

Management of Waters and Waterside Lands Regulations – NSW

Port Authority – Land Traffic Control Regulations – NSW

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*Motor Vehicles Taxation Act 1988*

Motor Vehicles Taxation Regulation 2008

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*Photo Card Act 2005*

Photo Card Regulation 2014

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*Ports and Maritime Administration Act 1995*

Ports and Maritime Administration Regulation 2012

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*Recreation Vehicles Act 1983*

(Parts 4 and 6 (remainder, the Minister for the Environment))

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*Road Transport Act 2013*

Road Rules 2014

Road Transport (Driver Licensing) Regulation 2008

Road Transport (General) Regulation 2013

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Road Transport (Mass, Loading and Access) Regulation 2005 (until 01.09.2015 when it was replaced by amendments to the Road Transport (General) Regulation 2013)

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Road Transport (Vehicle Registration) Regulation 2007

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*Roads Act 1993*

(except parts, jointly the Minister for the Environment, parts, the Minister for Local Government, and parts, the Minister of Natural Resources, Lands and Water)

Roads Regulation 2008

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*Sydney Harbour Tunnel (Private Joint Venture) Act 1987*

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*Tow Truck Industry Act 1998*

Tow Truck Industry Regulation 2008

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*Transport Administration Act 1988*

Part 4A, Divisions 1 to 3, so far as it relates to Roads and Maritime Services, Part 6, and so much of the Act as relates to Roads and Maritime Services (remainder, the Minister for Transport and Infrastructure)

Transport Administration (General) Regulation 2013

(provisions relating to the parts of the Act administered by the Minister for Roads, Maritime and Freight)

Transport Administration (Staff) Regulation 2012

(provisions relating to the parts of the Act administered by the Minister for Roads, Maritime and Freight)

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**NEW ACTS AND AMENDMENTS TO ACTS IN THE PORTFOLIO OF THE MINISTER FOR ROADS,  
MARITIME AND FREIGHT**

*Statute Law (Miscellaneous Provisions) Act 2015* (2015 No 15)

*Marine Safety Act 1998* (Act 1998 No 121)

(Commencement Proclamation 2015 No 444)

*Regulatory Reform and Other Legislative Repeals Act 2015* (No 48)

*Crimes Amendment (Off-road Fatal Accidents) Act 2015* (No 61)

*State Revenue Legislation Amendment Act 2015* (No 65)

*Statute Law (Miscellaneous Provisions) Act (No 2) 2015* (No 58)

*Fines Amendment Act 2016* (Act 2016 No 13)

(Commencement Proclamation 2016 No 276)

**NEW SUBORDINATE LEGISLATION AND AMENDMENTS TO SUBORDINATE LEGISLATION IN  
THE PORTFOLIO OF THE MINISTER FOR ROADS, MARITIME AND FREIGHT**

Driving Instructors Amendment (Fees) Regulation 2015 (2015 No 217)

Management of Waters and Waterside Lands Amendment (Fees) Regulation 2015 (2015 No 220)

Marine Safety (General) Amendment (Fees) Regulation 2015 (2015 No 221)

Photo Card Amendment (Fees and Penalty Notices Offences) Regulation 2015 (2015 No 222)

Road Transport Legislation Amendment (Fees, Penalty Levels and Charges) Regulation 2015  
(2015 No 225)

Roads Amendment (Penalty Notice Offences) Regulation 2015 (2015 No 226)

Tow Truck Industry Amendment (Fees) Regulation 2015 (2015 No 227)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2015 (2015 No 326)

Ports and Maritime Administration Amendment (Wharf Access) Regulation 2015 (2015-447)

Road Transport (General) Amendment (Mass, Loading and Access) Regulation 2015 (2015-449)

Transport Administration (General) Amendment (WestConnex Delivery Authority) Regulation  
2015 (2015-569)

Road Transport (Driver Licensing) Amendment (Interlock Driver Licences) Regulation 2015  
(2015 No 624)

Road Transport (General) Amendment (Charles Stuart University) Regulation 2015 (2015 No 625)

Road Transport (General) Amendment (TAFE Commission) Regulation 2015 (2015 No 626)

Road Transport (Vehicle Registration) Amendment (Auxiliary Number-Plates) Regulation 2015  
(2015 No 628)

Road Transport Legislation Amendment (Release of Stored Photographs) Regulation 2015  
(2015 No 627)

*Regulatory Reform and Other Legislative Repeals Act 2015* (No 48)

Road Transport (Vehicle Registration) Amendment (Law Revision) Regulation 2015 (2015 No 674)

Road Transport (General) Amendment (Parking at University of Western Sydney) Regulation 2015  
(2015 No 720)

Road Amendment (Approved Motor Bike Helmet) Rule 2015 (2015 No 752)

Road Transport (Driver Licensing) Amendment (Demerit Points for Mobile Phone Offences) Regulation 2015 (2015 No 753)

Heavy Vehicle National Amendment Regulation (2015 No 824)

Road Amendment (Hire Cars) Rule 2015 (2015 No 823)

*Statute Law (Miscellaneous Provisions) Act (No 2) 2015* (No 58)

Road Transport (Vehicle Registration) Amendment (Vehicle Standards) Regulation 2016 (2016 No 48)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2016 (2016 No 56)

Road Transport (General) Amendment (Authorised Officers) Regulation 2016 (2016 No 106)

Road Transport Legislation Amendment (Bicycle Riders) Regulation 2016 (2016 No 107)

Heavy Vehicle (General) National Amendment Regulation (2016 No 261)

*Fines Amendment Act 2016* (Act 2016 No 13)

(Commencement Proclamation 2016 No 276)

*Marine Safety Regulation 2016* (2016 No 308)

(repealed and replaced the Marine Safety (General) Regulation 2009 on 01.07.2016)

Driving Instructors Amendment (Fees) Regulation 2016 (2015 No 335)

(to commence on 01.07.2016)

Management of Waters and Waterside Lands Amendment (Fees and Classification of Licences) Regulation 2016 (2016 No 307)

(to commence on 01.07.2016)

Photo Card Amendment (Fees and Penalty Notices Offences) Regulation 2016 (2016 No 339)

(to commence on 01.07.2016)

Road Transport Legislation Amendment (Fees, Penalty Levels and Charges) Regulation 2016 (2016 No 345)

(to commence on 01.07.2016)

Roads Amendment (Penalty Notice Offences) Regulation 2016 (2016 No 346)

(to commence on 01.07.2016)

Tow Truck Industry Amendment (Fees) Regulation 2016 (2016 No 348)

(to commence on 01.07.2016)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation (No 2) 2016 (2016 No 325)

(to commence on 01.07.2016)

#### **SIGNIFICANT JUDICIAL DECISIONS AFFECTING THE STATUTORY BODY OR THE SERVICE USERS IN ASSOCIATION WITH ACTS AND SUBORDINATE LEGISLATION**

There were no significant judicial decisions affecting the statutory body or the service users during the period 2015-16 in association with Acts and Subordinate Legislation administered by the Minister for Roads, Maritime and Freight.

## Obligations under the GIPA Act

### REVIEW OF PROACTIVE RELEASE PROGRAM

Transport for NSW provides a wide range of transport services and is responsible for improving the customer experience, planning, program administration, policy, regulation, procuring transport services, infrastructure and freight.

By performing these functions, it actively releases information about current and planned transport projects and initiatives. Information ranges from media releases to detailed information about contracts and projects.

The Transport cluster also actively considers how we can be more proactive and ensure greater access to information. The Transport cluster established the Proactive Release Committee that meets quarterly. In 2015-16 the performance information released by each transport agency was revised.

There were no reviews and therefore no information made public as a function of any reviews by Transport for NSW during the reporting period.

### NUMBER OF ACCESS APPLICATIONS RECEIVED

During the year, Transport for NSW received 217 access applications (including withdrawn applications but not invalid applications).

### NUMBER OF REFUSED APPLICATIONS FOR SCHEDULE 1 INFORMATION

Transport for NSW refused 19 access applications in 2015-16 because the information requested was information referred to in Schedule 1 to the GIPA Act. Of those applications, nine (47 per cent of the total number received) were refused in full, and 10 (53 per cent of the total number received) refused in part.

### NUMBER OF APPLICATIONS BY TYPE OF APPLICANT AND OUTCOME\*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	16	5	5	6	0	3	0	5
Members of Parliament	24	11	4	7	1	2	0	1
Private sector business	8	8	5	8	1	2	0	2
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	9	3	0	8	0	0	0	1
Members of the public (other)	15	15	1	5	0	2	0	3
	72	42	15	34	2	9	0	12

Note 1: \* More than one decision can be made in respect of a particular access application. If so, a recording was made in relation to each such decision.

## NUMBER OF APPLICATIONS BY TYPE OF APPLICATION AND OUTCOME

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	1	0	0	0	0	0	0
Access applications (other than personal information applications)	72	41	15	34	2	9	0	12
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0
	72	42	15	34	2	9	0	12

Note 1: More than one decision can be made in respect of a particular access application. If so, a recording was made in relation to each such decision.

## INVALID APPLICATIONS

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	22
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	22
Invalid applications that subsequently became valid applications	17

**CONCLUSIVE PRESUMPTION OF OVERRIDING PUBLIC INTEREST AGAINST DISCLOSURE:  
MATTERS LISTED IN SCHEDULE 1 OF THE ACT**

	<b>Number of times consideration used *</b>
Overriding secrecy laws	0
Cabinet information	18
Executive Council information	0
Contempt	1
Legal professional privilege	0
Excluded information	1
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

Note 1: \* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is recorded (but only once per application).

**OTHER PUBLIC INTEREST CONSIDERATIONS AGAINST DISCLOSURE: MATTERS LISTED IN TABLE  
TO SECTION 14 OF THE ACT**

	<b>Number of occasions when application not successful</b>
Responsible and effective government	20
Law enforcement and security	0
Individual rights, judicial processes and natural justice	22
Business interests of agencies and other persons	8
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Note 1: More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is recorded (but only once per application).

## TIMELINESS

	<b>Number of applications</b>
Decided within the statutory timeframe (20 days plus any extensions)	163
Decided after 35 days (by agreement with applicant)	21
Not decided within time (deemed refusal)	1
<b>Total</b>	<b>185</b>

## NUMBER OF APPLICATIONS REVIEWED UNDER PART 5 OF THE ACT (BY TYPE OF REVIEW AND OUTCOME)

	<b>Decision varied</b>	<b>Decision upheld</b>	<b>Total</b>
Internal review	0	4	4
Review by Information Commissioner*	1	2	6
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	1	2
<b>Total</b>	<b>1</b>	<b>8</b>	<b>12</b>

Note 1: \* 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.

## APPLICATIONS FOR REVIEW UNDER PART 5 OF THE ACT (BY TYPE OF APPLICANT)

	<b>Number of applications for review</b>
Applications by access applicants	12
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

## APPLICATIONS TRANSFERRED TO OTHER AGENCIES UNDER DIVISION 2 OF PART 4 OF THE ACT (BY TYPE OF TRANSFER)

	<b>Number of applications transferred</b>
Agency-initiated transfers	12
Applicant-initiated transfers	0

## **Privacy and Personal Information Protection Act 1998 (PIPPA)**

In accordance with section 33 of the *Privacy and Personal Information Protection Act 1998* (NSW) (PPIP Act), Transport for NSW has a Privacy Management Plan (PMP) which is located on our website.

The PMP was updated in May 2016 and includes:

- Information about the development of policies and practices to ensure we comply with the requirements of the PIPA Act and the *Health Records and Information Privacy Act 2002* (HRIP Act).
- Communication of (the above) policies and practices to people within Transport for NSW.
- Procedures that Transport for NSW adopts regarding internal review under Part 5 of the PPIP Act.
- Other matters Transport for NSW considers relevant in relation to privacy and the protection of personal and health information held by the agency.

In this regard, Transport for NSW also works with the Transport cluster operating agencies to:

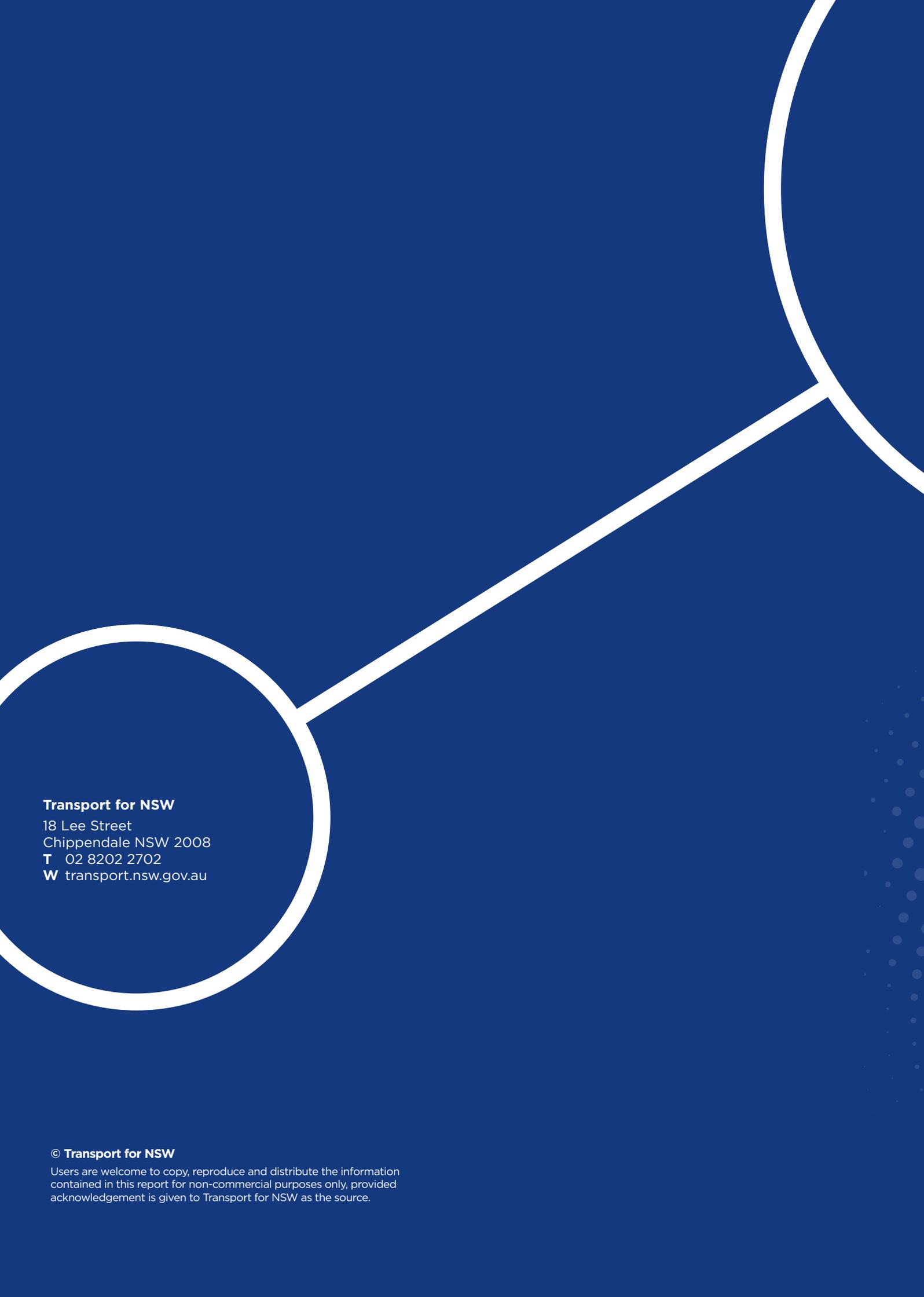
- Create greater consistency in the management of personal information to achieve the best possible results for members of the public.
- Deliver plans that provide the highest standard of information about compliance with the privacy principles in the PPIP and HRIP Acts.

Transport for NSW has also worked with our operating agencies to develop and update cluster-wide privacy resources. These provide guidance to business areas about how to respond to privacy complaints, requests to access or amend personal information and internal reviews. During 2015-2016 resources on privacy and cloud computing, de-identifying personal or health information, and identifying privacy impacts were published.

In 2015-16 Transport for NSW received three applications for review of conduct relating to the use, access or release of personal information. All reviews were completed within the financial year. One applicant has applied to the NSW Civil and Administrative Tribunal for a review of the internal review decision.

As an official partner of Privacy Awareness Week 2015, Transport for NSW hosted a lunch with all operating agency Chief Executives and other key stakeholders, including the Privacy Commissioner. The event's focus was to build staff understanding of how to identify personal information and how it should be used. Particular emphasis was placed on IT privacy and information security.

A Transport Privacy Forum was also held to foster and promote a collaborative, innovative and consistent approach to responding to current and emerging privacy issues. The forum identified potential privacy risks, challenges and opportunities.



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2015-16

# Annual Report



Transport  
for NSW

Transport for NSW  
Volume 2



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

### **Overview**

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

- Department of Transport
- Transport for NSW
- Transport Service of New South Wales
- Sydney Ferries

### **Accessibility**

If you experience difficulty accessing this content, please contact Elise Naylor, Principal Manager Financial Accounting Management, 02 8202 3146

[elise.naylor@transport.nsw.gov.au](mailto:elise.naylor@transport.nsw.gov.au)



## INDEPENDENT AUDITOR'S REPORT

### Department of Transport

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Department of Transport (the Department), which comprise the statements of financial position as at 30 June 2016, the statements of comprehensive income, the statements of changes in equity, the statements of cash flows, service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Department and the consolidated entity as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

#### Basis for Opinion

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

I am independent of the Department and the consolidated entity in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

## **The Secretary's Responsibility for the Financial Statements**

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

In preparing the financial statements, the Secretary must assess the ability of the Department and the consolidated entity to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Department or the consolidated entity carried out their 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.



Margaret Crawford  
Auditor-General of NSW

17 October 2016  
SYDNEY



## **Department of Transport**

Consolidated Annual Financial Statements

for the year ended 30 June 2016

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# Department of Transport

Statement by the Secretary  
for the year ended 30 June 2016

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

- (a) The accompanying financial statements have been prepared in accordance with:
  - Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
  - The requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
  - The Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer under section 9(2) (n) of the Act;
- (b) The statements exhibit a true and fair view of the financial position and financial performance of the Department of Transport; and consolidated entity.
- (c) There are no known circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Tim Reardon  
Secretary

Date: 11 October 2016

**Department of Transport**  
Statement of comprehensive income  
for the year ended 30 June 2016

	Notes	Consolidated Actual 2016 \$'000	Consolidated Actual 2015 \$'000	Parent Actual 2016 \$'000	Parent Actual 2015 \$'000
<b>Expenses excluding losses</b>					
Operating expenses					
Employee related expenses	2(a)	2,884,438	2,869,734	606	1,370
Other operating expenses	2(b)	1,546,049	1,657,911	479	235
Maintenance	2(c)	1,274,868	1,258,381	-	-
Depreciation and amortisation	2(d)	3,007,230	2,839,267	-	-
Grants and subsidies	2(e)	637,781	551,647	-	-
Finance costs	2(f)	327,038	330,797	-	-
Other expenses	2(g)	968,966	974,866	-	-
<b>Total expenses excluding losses</b>		<b>10,646,370</b>	<b>10,482,603</b>	<b>1,085</b>	<b>1,605</b>
<b>Revenue</b>					
Recurrent appropriation	3(a)	9,283,712	8,592,327	-	-
Capital appropriation	3(b)	784,134	2,572,766	-	-
Sale of goods and services	3(c)	1,996,123	2,019,664	-	-
Investment revenue	3(d)	156,979	160,283	-	-
Other revenue	3(e)	300,959	425,204	-	-
Retained taxes, fees and fines	3(f)	28,447	29,689	-	-
Grants and contributions	3(g)	1,357,360	688,883	479	235
Acceptance by the Crown Entity of employee benefits and other liabilities	3(h)	88,484	37,532	3	(102)
Personnel services revenue	3(i)	-	-	603	1,472
<b>Total revenue</b>		<b>13,996,198</b>	<b>14,526,348</b>	<b>1,085</b>	<b>1,605</b>
<b>Gain / (loss) on disposal</b>	4	<b>(58,401)</b>	<b>(207,591)</b>	-	-
<b>Other gains / (losses)</b>	5	<b>(357,561)</b>	<b>(215,430)</b>	-	-
<b>Net result</b>		<b>2,933,866</b>	<b>3,620,724</b>	-	-
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to net result</i>					
	13 &				
Net increase in asset revaluation reserve	20	1,162,709	4,022,662	-	-
Remeasurement of defined benefit superannuation schemes	19	(383,816)	(3,938)	-	-
<i>Items that may be reclassified subsequently to net result</i>					
Net gains/(losses) in commodity swaps and foreign exchange		5,059	(1,676)	-	-
<b>Total other comprehensive income</b>		<b>783,952</b>	<b>4,017,048</b>	-	-
<b>Total comprehensive income</b>		<b>3,717,818</b>	<b>7,637,772</b>	-	-

The accompanying notes form part of these financial statements.

# Department of Transport

## Statement of financial position

as at 30 June 2016

	Notes	Consolidated Actual 2016 \$'000	Consolidated Actual 2015 \$'000	Parent Actual 2016 \$'000	Parent Actual 2015 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	2,756,042	1,814,689	304	930
Receivables	8	536,228	522,686	104	22
Inventories	9	30,031	44,330	-	-
Financial assets at fair value	10	104,828	65,336	-	-
Non-current assets held for sale	11	240,874	19,623	-	-
Other financial assets	12	-	499	-	-
<b>Total current assets</b>		<b>3,668,003</b>	<b>2,467,163</b>	<b>408</b>	<b>952</b>
<b>Non-current assets</b>					
Receivables	8	60,097	42,200	-	-
Inventories	9	27,823	18,334	-	-
Financial assets at fair value	10	920	643	-	-
Other financial assets	12	373,304	520,888	-	-
Property, plant and equipment					
Land and buildings	13	4,039,458	3,802,103	-	-
Infrastructure systems	13	108,820,245	103,650,387	-	-
Plant and equipment	13	6,523,190	6,547,150	-	-
Total property, plant and equipment		<b>119,382,893</b>	<b>113,999,640</b>	-	-
Intangible assets	14	1,286,987	1,159,651	-	-
Other assets	15	2,206,272	1,437,515	-	-
<b>Total non-current assets</b>		<b>123,338,296</b>	<b>117,178,871</b>	-	-
<b>Total assets</b>		<b>127,006,299</b>	<b>119,646,034</b>	<b>408</b>	<b>952</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	17	2,368,940	2,113,843	272	725
Borrowings	18	974,431	674,611	-	-
Employee benefits	19	767,517	910,316	136	227
Other provisions	20	33,269	95,769	-	-
Other liabilities	21	332,945	280,196	-	-
Financial liabilities at fair value	22	5,983	6,173	-	-
<b>Total current liabilities</b>		<b>4,483,085</b>	<b>4,080,908</b>	<b>408</b>	<b>952</b>
<b>Non-current liabilities</b>					
Borrowings	18	5,155,041	4,424,579	-	-
Employee benefits	19	1,354,561	2,163,285	-	-
Other provisions	20	46,236	62,840	-	-
Other liabilities	21	800,688	668,192	-	-
Financial liabilities at fair value	22	2,086	1,107	-	-
<b>Total non-current liabilities</b>		<b>7,358,612</b>	<b>7,320,003</b>	-	-
<b>Total liabilities</b>		<b>11,841,697</b>	<b>11,400,911</b>	<b>408</b>	<b>952</b>
<b>Net assets</b>		<b>115,164,602</b>	<b>108,245,123</b>	-	-
<b>EQUITY</b>					
Reserves		22,025,340	20,924,551	-	-
Accumulated funds		91,292,209	87,320,572	-	-
Contributed capital		1,847,053	-	-	-
<b>Total equity</b>		<b>115,164,602</b>	<b>108,245,123</b>	-	-

The accompanying notes form part of these financial statements.

# Department of Transport

## Statement of changes in equity for the year ended 30 June 2016

Consolidated	Notes	Accumulated funds \$'000	Asset revaluation surplus \$'000	Hedging gains & losses reserves \$'000	Contributed capital \$'000	Total \$'000
<b>Balance as at 1 July 2015</b>		<b>87,320,572</b>	<b>20,929,450</b>	<b>(4,899)</b>	<b>-</b>	<b>108,245,123</b>
<b>Net result for the year</b>		<b>2,933,866</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,933,866</b>
<b>Other comprehensive income:</b>						
Net gains in hedging contracts		-	-	5,059	-	5,059
Net increase in asset revaluation reserve from revaluation of property, plant and equipment	13	-	1,149,994	-	-	1,149,994
Net increase in asset revaluation reserve from change in remediation provision	20	-	12,715	-	-	12,715
Remeasurement of defined benefit superannuation schemes	19	(383,816)	-	-	-	(383,816)
<b>Total other comprehensive income</b>		<b>(383,816)</b>	<b>1,162,709</b>	<b>5,059</b>	<b>-</b>	<b>783,952</b>
<b>Total comprehensive income for the year</b>		<b>2,550,050</b>	<b>1,162,709</b>	<b>5,059</b>	<b>-</b>	<b>3,717,818</b>
<b>Transactions with owners in their capacity as owners</b>						
Transfers to / (from) reserves to accumulated funds		66,979	(66,979)	-	-	-
Equity transfers	30	1,354,608	-	-	-	1,354,608
Capital contribution from NSW Treasury		-	-	-	1,847,053	1,847,053
<b>Balance at 30 June 2016</b>		<b>91,292,209</b>	<b>22,025,180</b>	<b>160</b>	<b>1,847,053</b>	<b>115,164,602</b>
<b>Balance at 1 July 2014</b>		<b>82,995,659</b>	<b>17,025,410</b>	<b>(3,223)</b>	<b>-</b>	<b>100,017,846</b>
<b>Net result for the year</b>		<b>3,620,724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,620,724</b>
<b>Other comprehensive income:</b>						
Net loss in hedging contracts		-	-	(1,676)	-	(1,676)
Net increase in asset revaluation reserve	13	-	4,022,662	-	-	4,022,662
Remeasurement of defined benefit superannuation schemes		(3,938)	-	-	-	(3,938)
<b>Total other comprehensive income</b>		<b>(3,938)</b>	<b>4,022,662</b>	<b>(1,676)</b>	<b>-</b>	<b>4,017,048</b>
<b>Total comprehensive income for the year</b>		<b>3,616,786</b>	<b>4,022,662</b>	<b>(1,676)</b>	<b>-</b>	<b>7,637,772</b>
<b>Transactions with owners in their capacity as owners</b>						
Transfers to / (from) reserves to accumulated funds		118,622	(118,622)	-	-	-
Equity transfers	30	589,505	-	-	-	589,505
<b>Balance at 30 June 2015</b>		<b>87,320,572</b>	<b>20,929,450</b>	<b>(4,899)</b>	<b>-</b>	<b>108,245,123</b>

The accompanying notes form part of these financial statements.

# Department of Transport

## Statement of changes in equity for the year ended 30 June 2016

Parent	Notes	Accumulated funds \$'000	Asset revaluation surplus \$'000	Hedging gains & losses reserves \$'000	Contributed capital \$'000	Total \$'000
<b>Balance as at 1 July 2015</b>		-	-	-	-	-
<b>Net result for the year</b>		-	-	-	-	-
<b>Other comprehensive income:</b>						
Net gains in hedging contracts		-	-	-	-	-
Net increase in asset revaluation reserve	13	-	-	-	-	-
Remeasurement of defined benefit superannuation schemes		-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-	-
<b>Transactions with owners in their capacity as owners</b>						
Transfers to / (from) reserves to accumulated funds		-	-	-	-	-
Equity transfers	30	-	-	-	-	-
Capital contribution from NSW Treasury		-	-	-	-	-
<b>Balance at 30 June 2016</b>		-	-	-	-	-
<b>Balance at 1 July 2014</b>		-	-	-	-	-
<b>Net result for the year</b>		-	-	-	-	-
<b>Other comprehensive income:</b>						
Net gains in hedging contracts		-	-	-	-	-
Net increase in asset revaluation reserve	13	-	-	-	-	-
Remeasurement of defined benefit superannuation schemes		-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-	-
<b>Transactions with owners in their capacity as owners</b>						
Transfers to / (from) reserves to accumulated funds		-	-	-	-	-
Equity transfers	30	-	-	-	-	-
<b>Balance at 30 June 2015</b>		-	-	-	-	-

# Department of Transport

## Statement of cash flows

for the year ended 30 June 2016

	Notes	Consolidated Actual 2016 \$'000	Consolidated Actual 2015 \$'000	Parent Actual 2016 \$'000	Parent Actual 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Payments</b>					
Employee related		(2,774,723)	(2,542,391)	(694)	(17,253)
Grants and subsidies		(542,613)	(567,805)	-	-
Finance costs		(322,964)	(294,009)	-	-
Payment to suppliers		(4,333,435)	(4,555,868)	(453)	(611)
<b>Total payments</b>		<b>(7,973,735)</b>	<b>(7,960,073)</b>	<b>(1,147)</b>	<b>(17,864)</b>
<b>Receipts</b>					
Recurrent appropriation		9,283,712	8,592,327	-	-
Capital appropriation (excluding equity appropriations)		784,134	2,572,766	-	-
Cash transferred to the Consolidated Fund		-	(5,155)	-	-
Sale of goods and services		2,557,703	2,206,048	-	-
Personnel services		-	-	521	1,707
Retained taxes, fees and fines		28,447	14,154	-	-
Interest received		43,756	51,982	-	-
Grants and contributions		1,336,585	688,883	-	-
Other		12,661	435,909	-	-
<b>Total receipts</b>		<b>14,046,998</b>	<b>14,556,914</b>	<b>521</b>	<b>1,707</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	26	<b>6,073,263</b>	<b>6,596,841</b>	<b>(626)</b>	<b>(16,157)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment		77,881	46,760	-	-
Purchases of property, plant and equipment and intangible assets		(7,865,491)	(6,784,880)	-	-
Other		(29,699)	6,045	-	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(7,817,309)</b>	<b>(6,732,075)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings and advances		1,521,817	1,357,613	-	-
Repayment of borrowings, finance leases and advances		(642,086)	(801,944)	-	-
Capital contribution from NSW Treasury		1,847,053	-	-	-
Other		(41,385)	(53,540)	-	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,685,399</b>	<b>502,129</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>941,353</b>	<b>366,895</b>	<b>(626)</b>	<b>(16,157)</b>
Opening cash and cash equivalents		1,814,689	1,447,794	930	17,087
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	7	<b>2,756,042</b>	<b>1,814,689</b>	<b>304</b>	<b>930</b>

The accompanying notes form part of these financial statements.

# Department of Transport

## Service group statements

for the year ended 30 June 2016

Consolidated	Rail Services*		Buses and related services*		Road and maritime services*		Ferry services*		Integrated transport services*		Inter-services elimination		Total	
Reporting entity's expenses and income	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Expenses excluding losses</b>														
Operating expenses														
Employee related	1,352,841	1,507,453	268	286	22,067	24,082	(19)	468	520,051	461,670	989,230	875,775	2,884,438	2,869,734
Personnel service expense	124,200	117,066	486,422	426,378	498,742	576,124	-	-	-	-	(1,109,364)	(1,119,568)	-	-
Other operating expenses	1,531,496	1,630,621	125,346	120,192	708,288	688,319	382	1,599	684,063	334,175	(1,503,526)	(1,116,995)	1,546,049	1,657,911
Maintenance	782,760	726,738	44,163	51,825	459,602	469,986	-	-	7,362	6,746	(19,019)	3,086	1,274,868	1,258,381
Depreciation and amortisation	1,196,616	1,059,190	106,205	92,805	1,604,112	1,551,357	16,142	14,222	84,155	121,693	-	-	3,007,230	2,839,267
Grants and subsidies	8,552	-	99,405	124,472	431,393	348,136	-	-	7,747,700	8,883,111	(7,649,269)	(8,804,072)	637,781	551,647
Finance costs	222,949	212,744	80,589	87,321	34,852	43,367	-	-	17,110	16,271	(28,462)	(28,906)	327,038	330,797
Other expenses	30,775	16,183	875,698	810,804	-	-	80,826	91,553	-	18,323	(18,333)	38,003	968,966	974,866
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>	<b>5,250,189</b>	<b>5,269,995</b>	<b>1,818,096</b>	<b>1,714,083</b>	<b>3,759,056</b>	<b>3,701,371</b>	<b>97,331</b>	<b>107,842</b>	<b>9,060,441</b>	<b>9,841,989</b>	<b>(9,338,743)</b>	<b>(10,152,677)</b>	<b>10,646,370</b>	<b>10,482,603</b>
<b>Revenue</b>														
Government contributions	1,876,921	2,184,730	1,475,334	1,389,538	5,828,935	4,735,857	-	-	8,714,211	9,835,989	(7,739,071)	(6,943,489)	10,156,330	11,202,625
Sale of goods and services	2,204,541	2,125,700	336,516	313,063	632,665	668,914	-	-	391,833	262,851	(1,569,432)	(1,350,864)	1,996,123	2,019,664
Investment revenue	59,406	46,600	936	970	82,307	88,045	6,381	6,327	7,494	14,915	455	3,426	156,979	160,283
Retained taxes, fees and fines	11,603	11,942	278	301	15,131	15,234	-	-	1,435	2,222	-	(10)	28,447	29,689
Grants and contributions	901	1,925,862	12,989	65,931	158,698	187,109	13,753	3,539	1,198,045	443,148	(27,026)	(1,936,706)	1,357,360	688,883
Other revenue	6,204	5,798	-	-	288,871	415,175	5,884	4,231	-	-	-	-	300,959	425,204
<b>Total revenue</b>	<b>4,159,576</b>	<b>6,300,632</b>	<b>1,826,053</b>	<b>1,769,803</b>	<b>7,006,607</b>	<b>6,110,334</b>	<b>26,018</b>	<b>14,097</b>	<b>10,313,018</b>	<b>10,559,125</b>	<b>(9,335,074)</b>	<b>(10,227,643)</b>	<b>13,996,198</b>	<b>14,526,348</b>
Gain/(loss) on disposal	(85,811)	(204,472)	(3,990)	69	31,967	(25,828)	-	-	(567)	(1,763)	-	24,403	(58,401)	(207,591)
Other gains/(losses)	(229)	(1,303)	(192,264)	(35)	(173,063)	(213,787)	(6,576)	582	14,571	(3)	-	(884)	(357,561)	(215,430)
<b>Net result</b>	<b>(1,176,653)</b>	<b>824,862</b>	<b>(188,297)</b>	<b>55,754</b>	<b>3,106,455</b>	<b>2,169,348</b>	<b>(77,889)</b>	<b>(93,163)</b>	<b>1,266,581</b>	<b>715,370</b>	<b>3,669</b>	<b>(51,447)</b>	<b>2,933,866</b>	<b>3,620,724</b>
<b>Other comprehensive income</b>														
Net increase/(decrease) in asset revaluation reserve	1,033,535	1,076,208	9,340	7,822	121,183	2,997,757	(1,349)	-	-	(59,125)	-	-	1,162,709	4,022,662
Remeasurement of defined benefit superannuation schemes	(342,500)	2,774	-	-	-	-	-	-	(41,316)	(6,712)	-	-	(383,816)	(3,938)
Net gain/ (loss) in commodity swaps and foreign exchange	4,496	(1,801)	-	-	-	-	-	-	563	125	-	-	5,059	(1,676)
<b>Total other comprehensive income</b>	<b>695,531</b>	<b>1,077,181</b>	<b>9,340</b>	<b>7,822</b>	<b>121,183</b>	<b>2,997,757</b>	<b>(1,349)</b>	<b>-</b>	<b>(40,753)</b>	<b>(65,712)</b>	<b>-</b>	<b>-</b>	<b>783,952</b>	<b>4,017,048</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(481,122)</b>	<b>1,902,043</b>	<b>(178,957)</b>	<b>63,576</b>	<b>3,227,638</b>	<b>5,167,105</b>	<b>(79,238)</b>	<b>(93,163)</b>	<b>1,225,828</b>	<b>649,658</b>	<b>3,669</b>	<b>(51,447)</b>	<b>3,717,818</b>	<b>7,637,772</b>

The inter-services eliminations represent the net effect of the consolidation adjustments that impact on both the statement of comprehensive income and statement of financial position.

\* The names and purposes of each service group are summarised in note (1(u)).

## Department of Transport

### Service group statements

for the year ended 30 June 2016

Consolidated	Rail Services*		Buses and related services*		Road and maritime services*		Ferry services*		Integrated transport services*		Inter-services elimination		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Administered expenses and income</b>														
Administered expenses														
Transfer payments	-	-	-	-	-	-	-	-	23,085	35,665	-	-	23,085	35,665
<b>Total administered expenses</b>	-	-	-	-	-	-	-	-	<b>23,085</b>	35,665	-	-	<b>23,085</b>	35,665
Administered income														
Taxes, fees and fines	-	-	-	-	3,501,067	3,072,548	-	-	23,888	36,125	-	-	3,524,955	3,108,673
Other	-	-	-	-	55,372	56,883	-	-	-	-	-	-	55,372	56,883
<b>Total administered income</b>	-	-	-	-	<b>3,556,439</b>	3,129,431	-	-	<b>23,888</b>	36,125	-	-	<b>3,580,327</b>	3,165,556
<b>Administered income less expenses</b>	-	-	-	-	<b>3,556,439</b>	3,129,431	-	-	<b>803</b>	460	-	-	<b>3,557,242</b>	3,129,891

The inter-services eliminations represent the net effect of the consolidation adjustments that impact on both the statement of comprehensive income and statement of financial position.

\* The names and purposes of each service group are summarised in note (1(u)).

# Department of Transport

## Service group statements

for the year ended 30 June 2016

Consolidated Reporting entity's assets and liabilities	Rail Services*		Buses and related services*		Road and maritime services*		Ferry services*		Integrated transport services*		Inter-services elimination		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current assets</b>														
Cash and cash equivalents	1,066,441	519,481	30,362	3,043	617,943	567,903	29,196	18,172	1,012,100	706,090	-	-	2,756,042	1,814,689
Receivables	393,882	918,723	78,251	41,340	301,878	259,655	981	102	544,505	660,859	(783,269)	(1,357,993)	536,228	522,686
Inventories	14,563	27,756	9,127	8,640	6,341	6,749	-	-	-	1,185	-	-	30,031	44,330
Financial assets at fair value	7,260	1,676	-	-	97,518	63,597	-	-	50	63	-	-	104,828	65,336
Non-current assets held for sale	1,468	700	137	89	229,176	2,741	-	-	10,093	16,093	-	-	240,874	19,623
Other financial assets	-	-	-	-	-	499	-	-	-	-	-	-	-	499
<b>Total current assets</b>	<b>1,483,614</b>	<b>1,468,336</b>	<b>117,877</b>	<b>53,112</b>	<b>1,252,856</b>	<b>901,144</b>	<b>30,177</b>	<b>18,274</b>	<b>1,566,748</b>	<b>1,384,290</b>	<b>(783,269)</b>	<b>(1,357,993)</b>	<b>3,668,003</b>	<b>2,467,163</b>
<b>Non-current assets</b>														
Receivables	32,499	33,293	-	-	27,598	8,907	-	-	244,816	1,411,088	(244,816)	(1,411,088)	60,097	42,200
Inventories	27,823	18,334	-	-	-	-	-	-	-	-	-	-	27,823	18,334
Financial assets at fair value	898	631	-	-	-	-	-	-	22	12	-	-	920	643
Other financial assets	-	-	-	-	372,829	520,336	-	-	475	552	-	-	373,304	520,888
Land and buildings	252,374	558,733	302,681	292,925	3,463,896	2,926,926	7,801	7,723	12,706	15,796	-	-	4,039,458	3,802,103
Infrastructure systems	32,732,015	29,742,761	101,359	156	75,960,753	73,873,194	-	-	26,118	34,276	-	-	108,820,245	103,650,387
Plant and equipment -	4,877,372	5,109,507	1,081,072	1,119,636	109,291	109,930	68,931	74,062	386,524	134,015	-	-	6,523,190	6,547,150
Property plant and equipment	37,861,761	35,411,001	1,485,112	1,412,717	79,533,940	76,910,050	76,732	81,785	425,348	184,087	-	-	119,382,893	113,999,640
Intangible assets	504,194	237,696	30,324	59,253	157,528	160,751	34,550	40,382	560,391	661,569	-	-	1,286,987	1,159,651
Other assets	604,776	56,504	-	-	1,601,496	1,380,892	-	-	-	-	-	119	2,206,272	1,437,515
<b>Total non-current assets</b>	<b>39,031,951</b>	<b>35,757,459</b>	<b>1,515,436</b>	<b>1,471,970</b>	<b>81,693,391</b>	<b>78,980,936</b>	<b>111,282</b>	<b>122,167</b>	<b>1,231,052</b>	<b>2,257,308</b>	<b>(244,816)</b>	<b>(1,410,969)</b>	<b>123,338,296</b>	<b>117,178,871</b>
<b>Total assets</b>	<b>40,515,565</b>	<b>37,225,795</b>	<b>1,633,313</b>	<b>1,525,082</b>	<b>82,946,247</b>	<b>79,882,080</b>	<b>141,459</b>	<b>140,441</b>	<b>2,797,800</b>	<b>3,641,598</b>	<b>(1,028,085)</b>	<b>(2,768,962)</b>	<b>127,006,299</b>	<b>119,646,034</b>

The inter-services eliminations represent the net effect of the consolidation adjustments that impact on both the statement of comprehensive income and statement of financial position.

\* The names and purposes of each service group are summarised in note (1(u)).

# Department of Transport

## Service group statements

for the year ended 30 June 2016

Consolidated Reporting entity's assets and liabilities	Rail Services*		Buses and related services*		Road and maritime services*		Ferry services*		Integrated transport services*		Inter-services elimination		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Current liabilities</b>														
Payables	729,290	666,828	165,728	156,728	919,648	1,207,377	1,576	1,477	1,292,419	754,690	(739,721)	(673,257)	2,368,940	2,113,843
Borrowings	777,166	1,093,737	119,974	78,695	47,117	43,515	-	-	30,174	68,499	-	(609,835)	974,431	674,611
Employee benefits	487,718	490,578	-	-	-	-	-	-	283,539	419,738	(3,740)	-	767,517	910,316
Other provisions	23,489	50,532	1,281	1,341	6,991	43,825	-	-	1,508	71	-	-	33,269	95,769
Other	9,542	10,426	2,827	796	214,239	197,695	4,339	5,007	105,481	141,554	(3,483)	(75,282)	332,945	280,196
Financial liabilities at fair value	4,394	3,566	-	-	-	-	-	-	1,589	2,607	-	-	5,983	6,173
<b>Total current liabilities</b>	<b>2,031,599</b>	<b>2,315,667</b>	<b>289,810</b>	<b>237,560</b>	<b>1,187,995</b>	<b>1,492,412</b>	<b>5,915</b>	<b>6,484</b>	<b>1,714,710</b>	<b>1,387,159</b>	<b>(746,944)</b>	<b>(1,358,374)</b>	<b>4,483,085</b>	<b>4,080,908</b>
<b>Non-current liabilities</b>														
Payables	-	-	236,450	199,125	7,106	1,211,689	-	-	-	-	(243,556)	(1,410,814)	-	-
Borrowings	3,633,182	2,949,640	823,386	717,972	358,813	405,930	-	-	339,660	351,037	-	-	5,155,041	4,424,579
Employee benefits	1,109,744	752,198	-	-	-	-	-	-	244,817	1,411,087	-	-	1,354,561	2,163,285
Other provisions	26,843	37,579	646	588	11,119	14,986	-	-	7,628	9,687	-	-	46,236	62,840
Other	2	-	-	-	671,833	629,606	-	-	128,853	38,586	-	-	800,688	668,192
Financial liabilities at fair value	1,558	1,033	-	-	-	-	-	-	528	74	-	-	2,086	1,107
<b>Total non-current Liabilities</b>	<b>4,771,329</b>	<b>3,740,450</b>	<b>1,060,482</b>	<b>917,685</b>	<b>1,048,871</b>	<b>2,262,211</b>	<b>-</b>	<b>-</b>	<b>721,486</b>	<b>1,810,471</b>	<b>(243,556)</b>	<b>(1,410,814)</b>	<b>7,358,612</b>	<b>7,320,003</b>
<b>Total liabilities</b>	<b>6,802,928</b>	<b>6,056,117</b>	<b>1,350,292</b>	<b>1,155,245</b>	<b>2,236,866</b>	<b>3,754,623</b>	<b>5,915</b>	<b>6,484</b>	<b>2,436,196</b>	<b>3,197,630</b>	<b>(990,500)</b>	<b>(2,769,188)</b>	<b>11,841,697</b>	<b>11,400,911</b>
<b>Net assets</b>	<b>33,712,637</b>	<b>31,169,678</b>	<b>283,021</b>	<b>369,837</b>	<b>80,709,381</b>	<b>76,127,457</b>	<b>135,544</b>	<b>133,957</b>	<b>361,604</b>	<b>443,968</b>	<b>(37,585)</b>	<b>226</b>	<b>115,164,602</b>	<b>108,245,123</b>

The inter-services eliminations represent the net effect of the consolidation adjustments that impact on both the statement of comprehensive income and statement of financial position.

\* The names and purposes of each service group are summarised in note (1(u)).

## Department of Transport

Summary of compliance with financial directives

for the year ended 30 June 2016

Department of Transport and Transport for NSW	2016				2015			
	Recurrent Appropriation	Expenditure/ net claim on Consolidated Fund	Capital Appropriation	Expenditure/ net claim on Consolidated Fund	Recurrent Appropriation	Expenditure/ net claim on Consolidated Fund	Capital Appropriation	Expenditure/ net claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ORIGINAL BUDGET APPROPRIATION/EXPENDITURE</b>								
Appropriation Act	9,912,223	9,283,712	784,134	784,134	8,908,368	8,592,327	2,658,393	2,572,766
	<b>9,912,223</b>	<b>9,283,712</b>	<b>784,134</b>	<b>784,134</b>	<b>8,908,368</b>	<b>8,592,327</b>	<b>2,658,393</b>	<b>2,572,766</b>
<b>OTHER APPROPRIATION/EXPENDITURE</b>								
Transfers to/from another Agency (s33 of the Appropriation Act)	(374,872)	-	69,678	-	(81,343)	-	(18,000)	-
	<b>(374,872)</b>	<b>-</b>	<b>69,678</b>	<b>-</b>	<b>(81,343)</b>	<b>-</b>	<b>(18,000)</b>	<b>-</b>
<b>Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>9,537,351</b>	<b>9,283,712</b>	<b>853,812</b>	<b>784,134</b>	<b>8,827,025</b>	<b>8,592,327</b>	<b>2,640,393</b>	<b>2,572,766</b>
<b>Amount drawn down against Appropriation</b>	-	9,283,712	-	784,134	-	8,592,327	-	2,572,766
<b>Liability to Consolidated Fund</b>		-		-		-		-

\* The liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriation" and the "Total Expenditure/Net claim on Consolidated Fund". The summary of compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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## 1. Summary of significant accounting policies

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

The Department of Transport (the Department) is a NSW Government entity. The Department is a not-for-profit entity as profit is not its principal objective and it has no cash generating units. The parent entity provides personnel services to Transport for NSW.

The Department is consolidated as part of the NSW Total State Sector financial statements.

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

Transport for NSW

Transport Service of New South Wales

Roads and Maritime Services

Sydney Ferries

State Transit Authority

Rail Corporation New South Wales

Sydney Trains

NSW Trains

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

The consolidated financial statements of Department of Transport for the year ended 30 June 2016 were authorised for issue by the Secretary on the date the accompanying statement was signed.

### (b) Principles of consolidation

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (c) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015; and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at "fair value through profit or loss" and available for sale are measured at fair value. Other financial report items are prepared in accordance with the historical cost convention.

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

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

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

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

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

*Property, plant and equipment* – note 1 (o) (iii) and (iv), and note 13.

*Other assets* note 1(o)(xxiii).

*Employee benefits* note 1(p)(iii) and note 19.

### (e) Statement of compliance

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

Exemption from the Financial Reporting Code

The Department was granted exemption by the Treasurer of NSW under s.45E of the *Public Finance and Audit Act 1983* from complying fully with the requirement of the Code. The exemption relates to the separate disclosure of maintenance expenses in the statement of comprehensive income and liabilities for employees' benefits in the statement of financial position on the basis of their materiality and greater transparency. This exemption does not impact on the financial performance of the Department.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (f) Administered activities

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

Transactions and balances relating to the administered activities are not recognised as the Department's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules and note 28.

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

### (g) Employee related expenses

Employee related expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies.

For further details on the recognition and measurement of employee related expenses refer to employee benefits note 1(p)(iii).

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

### (h) Other operating expenses and maintenance

Other operating expenses generally represent the day-to-day running costs incurred in the normal operations of the Department. The recognition and measurement policy for non-employee provision expenses is detailed below in note 1(p)(iv).

Maintenance costs relate principally to rail, road and maritime infrastructure systems and do not include employee-related expenses (refer also to note 1(o)(ix) and note 2(c)).

### (i) Grants and subsidies

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

### (j) Borrowing costs

Borrowing costs comprise mainly interest on borrowings, finance lease interest charges and the unwinding of discounts on non-employee provisions. In accordance with Treasury's Mandate for the not-for-profit general government sector agencies, borrowing costs are expensed and recognised in the statement of comprehensive income in the period in which they are incurred. This also includes any borrowing costs that relate to qualifying assets.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (k) Insurance

The Department arranges insurance cover through the NSW Treasury Managed Fund and private insurance companies. Some group entities hold a group self insurer's licence with Work Cover Authority to self insure workers' compensation. The cost of insurance is expensed in the period to which the insurance cover relates.

### (l) Other expenses

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

### (m) Accounting for the Goods and Services Tax (GST)

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

(i) the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and

(ii) receivables and payables are stated with the amount of GST included.

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

### (n) Income recognition

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

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

Parliamentary appropriations and contributions are generally recognised as income when the Department obtains control over the assets comprising the appropriations/contributions. Control over appropriations/contributions is normally obtained upon the receipt of cash. At 30 June unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund in the next financial year. The liability is disclosed under other liabilities (note 21).

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

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

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

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (n) Income recognition (cont'd)

#### (iv) *Investment revenue*

Interest revenue on cash and cash equivalents and financial assets at fair value through profit or loss are recognised in accordance with AASB 139 Financial Instruments: Recognition and Measurement. Rental revenue is recognised in accordance with AASB 117 Leases on a straight-line basis over the lease term. Royalty revenue is recognised in accordance with AASB 118 Revenue on an accrual basis in accordance with the substance of the relevant agreement.

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

Grants and contributions comprising mainly cash and in kind contributions are recognised as revenues when control passes to the Department and the contractual obligations have been satisfied. In kind contributions (e.g. roads and bridges from local councils) are measured at fair value on transfer and recognised as property, plant and equipment (note 1(o)(ii)).

#### (vi) *Other revenue*

Other revenue includes mainly the value of the emerging rights to receive private sector provided infrastructure. The non-cash revenue is also recognised as an asset (note 1(o)(xxiii)).

### (o) Assets

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

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

#### (ii) *Capitalisation and initial recognition*

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department 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 at an asset-specific rate.

The cost of assets constructed for own use includes the purchase cost, other directly attributable costs and the initial estimate of dismantling and restoration costs. Borrowing costs on qualifying assets are expensed as per note 1(j).

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (o) Assets (cont'd)

#### (ii) Capitalisation and initial recognition (cont'd)

Generally property, plant and equipment and intangible assets with a greater value than \$5,000 are capitalised except for computer equipment which is normally capitalised irrespective of the \$5,000 threshold where it is considered to be part of a network of assets.

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

Subsequent to initial recognition, property, plant and equipment are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to 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 depreciated replacement cost.

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (o) Assets (cont'd)

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

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

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

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

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

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

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

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

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

In RailCorp, bored and excavated tunnels, excavations for stations and site formations including cuttings and embankments entering service prior to 30 June 2000 are carried at nil value as their value cannot be reliably measured, due predominantly to the lack of historical records relating to the earthworks carried out and the costs involved.

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

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (o) Assets (cont'd)

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

Except for certain heritage assets, 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 Department.

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

Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. The decision not to recognise depreciation for these assets is reviewed annually.

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

<b>Depreciation Rates</b>	<b>Useful Lives</b>
Rail systems	10-100 years
Road systems	4-200 years
Maritime systems	5-40 years
Rolling stock	32-42 years
Buildings	10-200 years
Buses	15-25 years
Ferries	20-42 years
Plant and equipment	2-60 years
Finance leased buses	15 years

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

#### (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.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (o) Assets (cont'd)

#### (x) *Leased assets*

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

As lessee:

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

Under the Metropolitan Bus Services and Metropolitan, Outer Metropolitan Bus System Contracts and Rural and Regional Bus Services Contracts, payments to bus operators for the acquisition of new buses and certain existing buses are considered to be in the nature of finance leases and are recognised in accordance with AASB 117 Leases.

The leased asset is amortised on a straight line basis or on a systematic basis over the term of the lease or, where it is likely that the Department will obtain ownership of the asset, the useful life of the asset to the Department.

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

As lessor:

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

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

#### (xi) *Derecognition*

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (o) Assets (cont'd)

#### *(xii) Intangible assets*

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

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

The useful lives of intangible assets are assessed to be finite.

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

The Department's intangible assets comprise principally information technology systems which are amortised using the straight-line method over periods ranging from 2 years to 18 years.

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

#### *(xiii) Cash and cash equivalents*

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

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

#### *(xiv) Inventories*

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

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

Current replacement cost is the cost the Department would incur to acquire the asset.

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (o) Assets (cont'd)

#### (xv) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

#### (xvi) *Other financial assets*

Other financial assets comprise receivables, loan to the Sydney Harbour Tunnel and promissory notes issued by the operators of private sector provided infrastructure assets. These assets are measured at amortised cost using the effective interest rate method.

#### (xvii) *Business combinations*

The Department applies the acquisition method in accounting for business combinations.

The consideration transferred by the Department to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred and liabilities incurred, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Department recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred and (b) the recognised amount of any non-controlling interest in the acquire, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Goodwill acquired in a business combination is not amortised. Instead, it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

#### (xviii) *Goodwill*

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 1(o)(xvii) for information on how goodwill is initially determined and carried in the statement of financial position.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (o) Assets (cont'd)

#### *(xix) Investments*

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Department determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

**Fair value through profit or loss** – The Department subsequently measures investments classified as 'held for trading' or designated upon initial recognition 'at fair value through profit or loss' at fair value. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading (note 10). Gains or losses on these assets are recognised in the net result for the year.

The NSW Tcorp Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the key management personnel.

The movement in the fair value of the NSW Tcorp Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item investment revenue.

**Held-to-maturity investments** – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Department has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'. These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

**Available-for-sale investments** – Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date, i.e. the date the Department commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the statement of financial position date.

Unquoted investment in subsidiaries incorporated as proprietary companies are stated at cost less accumulated impairment in the parent entity's statement of financial position. The investment is subject to at least annual reviews for impairment.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (o) Assets (cont'd)

#### *(xx) Impairment of financial assets*

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

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

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

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as available-for-sale must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

#### *(xxi) De-recognition 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 Department transfers the financial asset:

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

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

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

#### *(xxii) Non-current assets held for sale*

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (o) Assets (cont'd)

#### (xxiii) *Other assets – Private sector provided infrastructure*

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

In the absence of a specific Australian Accounting Standard, Treasury Policy and Guidelines Paper *Accounting for Privately Financed Projects* (TPP06-8) applies. This policy requires the Department to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the government bond rate at the commencement of the project. During the concession period, the Department recognises the annual value of the right to receive the infrastructure as an asset and as revenue (note 1(n)(iv)).

### (p) Liabilities

#### (i) *Payables*

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

#### (ii) *Borrowings*

Borrowings are not held for trading or designated at fair value through profit or loss. Borrowings are initially measured at the fair value of the consideration received. Any difference between the proceeds and the redemption amount (premium or discount) is recognised in the net result over the period of the borrowings using the effective interest method.

The finance lease liability is determined in accordance with AASB 117 Leases.

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (p) Liabilities (cont'd)

#### (iii) *Employee benefits*

##### *a. Salaries and wages, annual leave, sick leave and on-costs*

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

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

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

##### *b. Long service leave and superannuation*

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

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

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

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

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

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (p) Liabilities (cont'd)

#### (iii) Employee benefits (cont'd)

##### b. Long service leave and superannuation (cont'd)

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

##### c. Consequential on-costs

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

#### (iv) Other provisions

Other provisions exist when the Department 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 Department has a detailed formal plan and it has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

### (q) Fair value hierarchy

A number of the Department'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.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

Refer note 16 and note 29 for further disclosures regarding fair value measurements of financial and non-financial assets.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (r) Equity and reserves

#### (i) *Asset revaluation reserve*

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

#### (ii) *Hedge reserve*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and is accumulated in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

#### (iii) *Accumulated funds*

The category "accumulated funds" includes all current and prior period retained funds.

#### (iv) *Reserves*

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

#### (v) *Equity transfers*

Equity transfers represent the transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 Contributions and Australian Interpretation 1038 Contributions by Owners made to Wholly-owned public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

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

#### (vi) *Contributed capital*

In accordance with TPP 09-03 Accounting Policy: *Contribution by owners made to wholly-owned public sector entities*, the transfer of cash from NSW Treasury to fund capital construction of major rail projects is treated as an equity contribution.

### (s) Budgeted amounts

The Department provides budget information in Note 25. The budget amounts provided relate to the Department of Transport, Transport for NSW and the Transport Service as the financial performance of these entities is aggregated for Treasury reporting purposes.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (t) 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.

### (u) Disaggregation of financial information by main activities of the Department

In accordance with the Code the Department has disaggregated expenses and revenue and assets and liabilities by its main activities. The Department's main activities comprise:

Rail services	- Rail Corporation New South Wales
	- Sydney Trains
	- NSW Trains
	- Transport for NSW manages light rail services, country rail network and Sydney Metro City South West Project
Buses and related services	- State Transit Authority of NSW
	- Transport for NSW manages bus transport services in the metropolitan, outer metropolitan and rural and regional areas of New South Wales
Road and maritime services	- Roads and Maritime Services and subsidiaries
Ferry services	- Sydney Ferries
	- Transport for NSW contributions for private operator ferry services
Integrated transport services	- Department of Transport
	- Transport for NSW
	- Transport Service of New South Wales

Integrated transport services activity is responsible for:

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

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

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

#### (i) *Effective for the first time in 2015-16*

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of the early adoption of AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities.

AASB 2015-7 relieves not-for-profit public sector entities from making certain disclosures for Level 3 property, plant and equipment that are held primarily for their current service potential rather than to generate future net cash inflows.

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

At reporting date all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to group operations and effective for the current annual reporting period have been adopted.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2016 in accordance with Treasury mandated policy, with the exception of AASB 2015-7. NSW Treasury permitted NSW public sector entities to early adopt AASB 2015-7.

AASB 16 Leases replaces AASB 117 Leases and some lease-related interpretations, and requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases. The requirements for lessor accounting have been carried forward from AASB 117 largely unchanged. The Department is yet to undertake a detailed assessment of the impact of AASB 16. However, it is expected that the first time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements.

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities extends the scope of AASB 124 Related Party Disclosure to include not-for-profit public sector entities. It is expected that the first time adopt of AASB 2015-6 for the year ending 30 June 2017 will not impact on the transactions and balances recognised in the primary financial statement, though there will be significant additional disclosures in the notes to the financial statements.

The impact of following standards in the period of initial application will not be significant.

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 9 Financial Instruments, AASB 2010-7, AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 15 Revenue from Contracts with Customers, AASB 2014-5, AASB 2015-8 and AASB 16-3 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018
AASB 2014-3 Amendments to Australian accounting standards – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
AASB 2014-4 Amendments to Australian accounting standards clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
AASB 2014-9 Amendments to Australian accounting standards – Equity Method in Separate Financial Statements	1 January 2016
AASB 2014-10 Amendments to Australian accounting standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2016
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 2. Expenses excluding losses

### (a) Employee related expenses

	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>	<b>Parent 2016 \$'000</b>	<b>Parent 2015 \$'000</b>
Salaries and wages (including annual leave)	2,189,403	2,154,291	528	869
Superannuation - defined benefit plans	77,786	120,232	-	(2)
Superannuation - defined contribution plans	171,243	180,252	33	48
Long service leave	133,795	103,320	3	(100)
Workers' compensation insurance	19,311	9,636	3	(5)
Payroll tax and fringe benefit tax	150,077	141,272	39	349
Redundancy payments	48,488	66,388	-	211
Other	1,915	2,003	-	-
Skill hire contractors	92,420	92,340	-	-
	<b>2,884,438</b>	<b>2,869,734</b>	<b>606</b>	<b>1,370</b>

Employee related costs of \$369.2 million (2015: \$352.0 million) (parent entity: nil (2015: nil)) have been capitalised in property, plant and equipment and intangible assets (computer systems) and are excluded from the above.

\$52.4 million of contractor expense has been reclassified from skill hire contractors to professional service contractors (\$49.7 million, note 2(b)) and infrastructure maintenance (\$2.7 million note 2(c)) in the prior year. This amount represents non labour hire contractors.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (b) Other operating expenses

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Auditor's remuneration - audit of financial statements	2,596	2,576	240	235
Advertising	38,313	38,492	-	-
Bad and doubtful debts	23	23	-	-
Cashback refund M5	99,473	81,378	-	-
Communications	33,733	25,653	-	-
Consultants	12,665	14,252	-	-
Electricity and gas	82,514	86,781	-	-
Fleet hire and leasing charges including access fees	55,906	52,372	-	-
Fuel costs	71,147	89,762	-	-
General expenses	177,188	239,061	239	-
Information technology	167,070	145,649	-	-
Insurance	62,112	69,508	-	-
Internal audit fees	1,503	1,466	-	-
Land and buildings remediation	2,893	4,565	-	-
Legal costs	21,071	24,825	-	-
Materials	31,633	30,106	-	-
Office expenses	51,015	60,060	-	-
Professional service contractors	462,477	470,397	-	-
Payments to councils and external bodies	26,079	12,473	-	-
Rental expense relating to operating leases	71,243	129,906	-	-
Security costs	26,066	32,153	-	-
Sydney Harbour Tunnel operating expenses	33,137	32,737	-	-
Taxes, rates and related charges	5,281	4,089	-	-
Travel expenses	10,911	9,627	-	-
	<b>1,546,049</b>	<b>1,657,911</b>	<b>479</b>	<b>235</b>

General expenses of \$177.2 million (2015: \$239.1 million) includes bus services for rail replacement, public liability claims, merchant and bank fees, vehicles number plates and occupational health and safety expenses.

A number of expense categories have been reclassified in the prior year. This includes, \$10.2 million reclassified from office expense to general expense relating to Opal Epay commission charges and operator training costs, \$49.7 million from skill hire contractors (note 2(a)) to professional service contractors, \$11.1 million of motor vehicle expense recoveries from general expense to fleet hire and leasing charges, \$35.7 million from train infrastructure maintenance (note 2(c)) to general expense and professional service contractors.

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

#### (c) Maintenance

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Maintenance - general	61,972	86,820	-	-
Maintenance - buses and ferries	33,635	44,176	-	-
Maintenance - rail infrastructure systems	434,405	373,471	-	-
Maintenance - trains	336,644	350,181	-	-
Maintenance - road and maritime infrastructure systems	408,212	403,733	-	-
	<b>1,274,868</b>	<b>1,258,381</b>	-	-
<b>Reconciliation - Total maintenance</b>				
Maintenance expense - contracted labour and other (non-employee related), as above	1,274,868	1,258,381	-	-
Employee related maintenance expense included in note 2(a)	427,816	414,521	-	-
<b>Total maintenance expense included in Note 2(a) + 2(c)</b>	<b>1,702,684</b>	<b>1,672,902</b>	-	-

\$35.7 million of train infrastructure maintenance expense has been reclassified to general expense (\$33.1 million, note 2(b)) and professional service contractor (\$2.6 million, note 2(b)) in the prior year.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (d) Depreciation and amortisation

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Depreciation (note 13)				
<b>Infrastructure systems:</b>				
Depreciation - roads and maritime systems	1,531,328	1,489,327	-	-
Depreciation - rail systems	861,684	816,881	-	-
<b>Buildings:</b>				
Depreciation - buildings	27,545	28,809	-	-
<b>Plant and equipment:</b>				
Depreciation - rolling stock	247,612	251,625	-	-
Depreciation - ferries	12,469	10,412	-	-
Depreciation - buses	47,839	46,965	-	-
Depreciation - plant and equipment	105,435	80,018	-	-
Depreciation - finance leased buses	49,566	36,006	-	-
<b>Total depreciation</b>	<b>2,883,478</b>	<b>2,760,043</b>	<b>-</b>	<b>-</b>
Amortisation (note 14)				
Amortisation - computer systems	123,752	79,224	-	-
	<b>3,007,230</b>	<b>2,839,267</b>	<b>-</b>	<b>-</b>

### (e) Grants and subsidies

Taxi transport subsidy scheme	28,976	28,914	-	-
Community transport groups	78,386	72,196	-	-
Private vehicle conveyance	21,020	23,362	-	-
Carparks and interchanges	4,469	3,981	-	-
Grants to local councils - maintenance of transport infrastructure	295,638	303,128	-	-
Grants to local councils - transfer of roads and bridges	90,427	1,857	-	-
National transport regulators	13,631	13,767	-	-
National Heavy Vehicle Regulator	37,886	39,225	-	-
Road safety grant to NSW Police	26,528	30,146	-	-
Other	40,820	35,071	-	-
	<b>637,781</b>	<b>551,647</b>	<b>-</b>	<b>-</b>

The grants and subsidies to various entities in the Transport cluster were paid by Transport for NSW in 2015-16 and 2014-15. These payments were eliminated on consolidation in accordance with note 1(b).

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

#### (f) Finance costs

	<b>Consolidated 2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>	<b>Parent 2016 \$'000</b>	<b>Parent 2015 \$'000</b>
Finance lease interest charges	233,239	250,572	-	-
Interest expense on NSW TCorp borrowings	88,465	69,409	-	-
Interest expense on non-current provisions and liabilities	2,677	3,792	-	-
Other finance costs	2,657	7,024	-	-
	<b>327,038</b>	<b>330,797</b>	-	-

Finance costs of nil (2015: \$1.3 million) (parent entity: nil (2015: nil)) have been capitalised in property, plant and equipment and intangible assets (computer systems) and are excluded from the above.

#### (g) Other expenses

Service costs - metropolitan and outer metropolitan bus operators	455,069	460,754	-	-
Major events	4,110	3,484	-	-
Service costs - rural and regional private bus operators	389,626	393,896	-	-
Service costs - ferry operators	80,783	91,553	-	-
Service costs - light rail operators	30,775	16,183	-	-
Nightride bus service	8,603	8,996	-	-
	<b>968,966</b>	<b>974,866</b>	-	-

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 3. Revenue

### (a) Recurrent appropriation

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Total recurrent drawdowns from NSW Treasury (per summary of compliance with financial directives)	9,283,712	8,592,327	-	-
Less: Liability to Consolidated Fund (per summary of compliance with financial directives) (note 21)	-	-	-	-
<b>Recurrent appropriations (per statement of comprehensive income)</b>	<b>9,283,712</b>	<b>8,592,327</b>	<b>-</b>	<b>-</b>

### (b) Capital appropriation

Total capital drawdowns from NSW Treasury (per summary of compliance with financial directives)	784,134	2,572,766	-	-
Less: Liability to Consolidated Fund (per summary of compliance with financial directives) (note 21)	-	-	-	-
<b>Capital appropriations (per statement of comprehensive income)</b>	<b>784,134</b>	<b>2,572,766</b>	<b>-</b>	<b>-</b>

Major rail projects were funded through capital appropriation prior to 2016 (2015: \$1,895.1 million). From 1 July 2015, major rail projects are funded through capital contribution via equity from NSW Treasury.

### (c) Sale of goods and services

Passenger service revenue	1,108,727	1,082,368	-	-
Toll revenue including E-Tag	148,274	145,283	-	-
Access fees	137,381	123,383	-	-
Number plates	132,668	119,297	-	-
Fees earned from maritime infrastructure assets	58,811	59,642	-	-
Work & services including construction contract revenue	91,974	139,057	-	-
Third party insurance data access charges	4,133	5,677	-	-
Advertising	64,151	61,286	-	-
Publications	8,324	8,400	-	-
Fees for services rendered including salary recoupments	123,066	132,004	-	-
Other	118,614	143,267	-	-
	<b>1,996,123</b>	<b>2,019,664</b>	<b>-</b>	<b>-</b>

Other revenue of \$118.6 million (2015: \$143.3 million) includes vehicle related fees, commissions, tours, catering, leases, sale of scrap, sale of products and the early repayment of third party contract contributions on the transfer of the inland route to Australian Rail and Track Corporation.

Airport link station access fee was reported as other revenue in the prior year (\$54.0 million), and is now reported as access fees.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 3. Revenue (cont'd)

### (d) Investment revenue

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Rents	94,802	93,219	-	-
NSW Tcorp Hour-Glass Investment Facilities designated at fair value through profit or loss	4,145	9,307	-	-
Interest revenue from financial assets not at fair value through profit or loss	40,975	41,191	-	-
Amortisation of zero interest Sydney Harbour Tunnel loan	9,259	8,645	-	-
Interest on finance lease receivables	1,755	2,016	-	-
Ferry lease revenue	6,043	5,905	-	-
	<b>156,979</b>	<b>160,283</b>	-	-

Rental income related to properties which are primarily held to support the core transport functions of the Department. The leasing of parts of these properties (\$94.8 million (2015: \$93.2 million)) is therefore, incidental to the core function of the Department. Accordingly, these properties are reported as property, plant and equipment (Note 13) in the statement of financial position.

Ferry lease revenue was reported as sale of goods and services revenue in the prior year (note 3(c)), and is now reported as investment revenue.

### (e) Other revenue

Value of emerging interests of Private Sector Provided Infrastructure (note 15)	226,808	205,927	-	-
Amortisation of deferred revenue on Private Sector Provided Infrastructure	19,030	14,910	-	-
Other	17,225	5,915	-	-
Recognition of infrastructure assets	37,896	198,452	-	-
	<b>300,959</b>	<b>425,204</b>	-	-

### (f) Retained taxes, fees and fines

Taxi operators' accreditation renewal fees	1,435	2,222	-	-
Fines	27,012	27,467	-	-
	<b>28,447</b>	<b>29,689</b>	-	-

The Department collects taxi operators' accreditation fees which can only be used to fund taxi industry related operations and initiatives.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 3. Revenue (cont'd)

### (g) Grants and contributions

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Department of Family and Community Services	67,003	65,931	-	-
NSW Government agencies	121,958	240,756	-	-
Private firms and individuals	10,253	16,053	-	-
Transport entities	-	-	479	235
Crown Entity	1,130,757	344,637	-	-
Local councils	20,775	15,298	-	-
Other government agencies - inter-state and Commonwealth Government	6,614	6,208	-	-
	<b>1,357,360</b>	<b>688,883</b>	<b>479</b>	<b>235</b>

Community transport grants of \$67.0 million (2015: \$65.9 million) represent grants received from the Department of Family and Community Services for the Community Transport Group funding scheme.

Local councils grants of \$20.8 million (2015: \$15.3 million) include roads and bridges transferred (fair value - \$0.5 million (2015: \$0.1 million)) to the Department.

Grants of \$1,130.8 million (2015: \$344.6 million) from the Crown Entity were provided for: RMS capital program \$397.9 million (2015: \$242.9 million) and Sydney Metro City and Southwest project \$699.0 million (2015: nil) funded by Restart NSW, and redundancies \$33.9 million (2015: \$101.7 million).

Other NSW Government grants of \$121.9 million (2015: \$240.7 million) include \$100.1 million (2015: \$144.7 million) received from Service NSW due to delay in transfer of RMS award staff, \$13.4 million (2015: nil) from Ministry for Police and Emergency Services NSW, \$7.3 million (2015: nil) for Natural Disaster Claim under the Natural Disaster Relief and Recovery Arrangement, \$0.8 million (2015: nil) from the Department of Planning and Environment, nil (2015: \$38.2 million) from the Barangaroo Delivery Authority contribution toward the funding of Wynyard Walk Project, nil (2015: \$55.0 million) from Hunter Development Corporation for the Transformation and Transport Program on Heavy Rail Truncation and nil (2015: \$2.3 million) from the Motor Accident Authority.

### (h) Acceptance by the Crown Entity of employee benefits and other liabilities

Superannuation - defined benefit	25,846	6,810	-	(2)
Long service leave	61,227	30,579	3	(100)
Payroll tax	1,411	143	-	-
	<b>88,484</b>	<b>37,532</b>	<b>3</b>	<b>(102)</b>

### (i) Personnel services revenue

Fee for personnel services provided	-	-	603	1,472
	<b>-</b>	<b>-</b>	<b>603</b>	<b>1,472</b>

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Proceeds from disposal including credit sales	53,951	32,938	-	-
Written down value of property, plant and equipment disposed (note 13)	(110,345)	(238,639)	-	-
Written down value of intangible assets disposed (note 14)	(2,007)	(1,890)	-	-
<b>Net loss on disposal</b>	<b>(58,401)</b>	<b>(207,591)</b>	-	-

### 5. Other gains / (losses)

Property, plant and equipment				
Revaluation increment / (decrement) (note 13)	(196,063)	-	-	-
Impairment (note 13)	(131,294)	(173,886)	-	-
Gain / (loss) on disposal of non-current assets held for sale	(23,031)	(30,300)	-	-
	<b>(350,388)</b>	<b>(204,186)</b>	-	-
Intangibles				
Impairment (note 14)	-	(2,125)	-	-
	-	<b>(2,125)</b>	-	-
Receivables				
Allowance for impairment (note 8)	(2,734)	(388)	-	-
Bad debts (written off) / recovered	-	(372)	-	-
	<b>(2,734)</b>	<b>(760)</b>	-	-
Other				
Unrealised gains / (losses) on TCorp borrowings	-	(8,941)	-	-
Write down of inventories	(1,185)	-	-	-
Foreign exchange gains / (losses)	(358)	-	-	-
Impairment reversals / (losses) (note 14)	(2,777)	582	-	-
Write down of right to receive inventories	(119)	-	-	-
	<b>(4,439)</b>	<b>(8,359)</b>	-	-
	<b>(357,561)</b>	<b>(215,430)</b>	-	-

### 6. Conditions on contributions

The Department collects taxi operators' accreditation fees and receives grants and contributions whose usage is restricted by requirements of the grantors. The Department has complied in full with the externally-imposed requirements in the year under review.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 7. Cash and cash equivalents

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Cash at bank and on hand	2,698,608	1,543,058	304	930
Short term deposits with NSW TCorp	938	228,699	-	-
Public revenue bank account	56,496	42,932	-	-
	<b>2,756,042</b>	<b>1,814,689</b>	<b>304</b>	<b>930</b>

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

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

Cash and cash equivalents (per statement of financial position)	2,756,042	1,814,689	304	930
Closing cash and cash equivalents (per statement of cash flows)	<b>2,756,042</b>	<b>1,814,689</b>	<b>304</b>	<b>930</b>

Refer note 29 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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

Details of credit standby arrangements available to and used by the Department are provided under financial instruments (note 29(c)).

### Restricted cash and cash equivalents

Cash and cash equivalent assets include restricted cash of \$334.3 million (2015: \$426.4 million) (parent entity: nil (2015: nil)) which can only be used for specific purposes and are, therefore, not available to fund the ongoing operations of the Department. This consists of funds quarantined specifically in relation to the Parking Space Levy (PSL) of \$136.9 million (2015: \$149.1 million), Community Transport Groups of \$5.4 million (2015: \$4.3 million), the Railway Contribution Deed of \$7.1 million (2015: \$6.1 million), E-tag deposit of \$54.2 million (2015: \$53.7 million), Maritime Waterways fund of \$78.7 million (2015: \$78.2 million), funds relating to land acquisition by the state of \$44.8 million (2015: \$134.3 million), Tow Truck Industry Fund of \$6.9 million (2015: \$0.4 million), and rental bonds of \$0.3 million (2015: \$0.3 million).

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

The Transport component of the Home and Community Care program is jointly funded by the NSW and Commonwealth governments. The program provides funding for the delivery of services to assist frail aged and younger people with disabilities, and their carers. These funds are required to be quarantined for specific use as defined by the terms and conditions for Home and Community Care Funding, including for the provisions of transport services by Community Transport Groups. The Community Road Safety Fund legislation, which came into effect on 1 May 2013, requires that all money raised from speed camera offences is to be spent on road safety. At balance date there was no surplus fund to be quarantined (2015: nil). Developer contributions collected under the Railway Contribution Deed in relation to the North Sydney station upgrade are only permitted to be spent on related project costs.

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

Funds administered on behalf of the Maritime Waterways fund and are restricted to activity relating to the maritime transactions. They are controlled by RMS and are covered by Section 42 of the Ports and Maritime Administration Act 1995.

Funds relating to land acquisitions by the state, the authority of the state are required to keep the money in a fund for the person entitled to the compensation concerned. Transactions on this account are restricted to activity relating to land acquisitions.

Funds administered on behalf of the Tow Truck Industry Fund and are restricted to activity relating to the fund. They are controlled by RMS and are covered by Section 91 of the Tow Truck Industry Act 1998. Transactions on this account are restricted to activity relating to Tow Truck Licensing.

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

## 8. Receivables

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Current receivables</b>				
Sale of goods and services	56,906	116,468	-	-
Goods and Services Tax recoverable	267,134	239,044	23	22
Prepayments	48,093	42,130	-	-
Income receivable	39,509	68,016	-	-
Personnel services receivable	-	-	4	-
Other receivables	127,233	59,805	77	-
Investment income receivable	4,493	7,274	-	-
Finance leases	231	239	-	-
	<b>543,599</b>	<b>532,976</b>	<b>104</b>	<b>22</b>
Less: Allowance for impairment	(7,371)	(10,290)	-	-
	<b>536,228</b>	<b>522,686</b>	<b>104</b>	<b>22</b>
<b>Movement in allowance for impairment</b>				
Balance at 1 July	10,290	10,976	-	-
Increase in allowance (note 5)	2,734	388	-	-
Bad debts written off	(5,653)	(1,074)	-	-
Balance at 30 June	<b>7,371</b>	<b>10,290</b>	-	-
<b>Non-current receivables</b>				
Finance leases	32,499	32,732	-	-
Other receivables	-	561	-	-
Prepayments	27,598	8,907	-	-
	<b>60,097</b>	<b>42,200</b>	-	-

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in note 29.

\$26.8 million of advance payments made to suppliers were reclassified from current income receivable to current other receivables in the prior year.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 9. Inventories

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Current inventories held for distribution</b>				
Materials, spare parts and other stores	43,904	55,863	-	-
Work in progress	309	141	-	-
Less: provision for obsolescence	(14,182)	(11,674)	-	-
	<b>30,031</b>	<b>44,330</b>	-	-
<b>Non-current inventories held for distribution</b>				
Materials, spare parts and other stores	27,823	18,334	-	-
	<b>27,823</b>	<b>18,334</b>	-	-

## 10. Financial assets at fair value

<b>Current</b>				
<b>Financial assets held for trading</b>				
Derivative financial instruments	7,310	1,739	-	-
<b>Financial assets at fair value through profit or loss</b>				
TCorp Hour-Glass investment facilities	97,518	63,597	-	-
	<b>104,828</b>	<b>65,336</b>	-	-
<b>Non-current</b>				
<b>Financial assets held for trading</b>				
Derivative financial instruments	920	643	-	-
	<b>920</b>	<b>643</b>	-	-

Refer to note 29 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

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

These Policies comply strictly with the internal policies and guidelines within the broad framework of the NSW *"Treasury Management Policy"* (TPP07-7). Accounting for Treasury instruments is in accordance with NSW Treasury Accounting Policy, *"Accounting for Financial Instruments"* (TPP08-1). Treasury instruments approved for the management of financial risk are in accordance with the *Public Authorities (Financial Arrangements) Act 1987*.

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 11. Non-current assets held for sale

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Non-current assets held for sale</b>				
Land and buildings	240,737	19,534	-	-
Plant and equipment	-	-	-	-
Buses	137	89	-	-
<b>Total</b>	<b>240,874</b>	<b>19,623</b>	<b>-</b>	<b>-</b>

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

## 12. Other financial assets

<b>Current other financial assets</b>				
M7 Receivable <sup>(3)</sup>	-	499	-	-
<b>Total Other assets</b>	<b>-</b>	<b>499</b>	<b>-</b>	<b>-</b>
<b>Non-current other financial assets</b>				
Interest free advances to taxi operators <sup>(1)</sup>	475	552	-	-
Loan to Sydney Harbour Tunnel Company <sup>(2)</sup>	145,125	135,867	-	-
Lane Cove Tunnel Receivable (Northconnex agreement) <sup>(3)</sup>	173,970	164,869	-	-
M7 Receivable <sup>(4)</sup>	-	170,991	-	-
Promissory notes <sup>(5)</sup>	53,734	48,609	-	-
	<b>373,304</b>	<b>520,888</b>	<b>-</b>	<b>-</b>

Refer to note 29 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

<sup>1</sup> The Department provides repayable interest-free loans to assist taxi operators (in rural and regional NSW) to make taxis wheel-chair accessible. The Department holds bills of sale as security for these advances and has recorded its financial interests in the vehicles in the Register of Encumbered Vehicles.

<sup>2</sup> This loan is considered to be part of the Department's interest in the Sydney Harbour Tunnel and at reporting date has been valued on a net present value (NPV) basis. The loan is due for repayment on 31 December 2022.

<sup>3</sup> Lane Cove Tunnel receivable relates to concession fees receivable due to the extension periods in the Private Public Partnership agreements of Lane Cove Tunnel. The amount represents the nominal value of \$200.0 million receivable from 31 December 2017 to 30 June 2019. The concession fees receivable are valued at amortised cost using effective interest rate of 5.63%.

<sup>4</sup> Westlink M7 Motorway receivable is concession fees receivable over a period from 30 September 2015 to 31 March 2037. The concession fees are valued at amortised cost. In October 2015, the Department realised \$174.2 million (2015: \$171.5 million) on the monetisation of the M7 concession receivable

<sup>5</sup> Promissory notes relate to amounts receivable under the Private Sector Road Toll agreement in respect of the M2 Motorway and Eastern Distributor. The promissory notes are redeemable at the earlier of the achievement of certain Internal Rate of Return (IRR) or the end of the respective concession period.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 13. Property, plant and equipment

	Infrastructure systems				Plant and equipment						Total property, plant and equipment \$'000
	Land and buildings \$'000	Road and maritime systems \$'000	Rail systems \$'000	Total \$'000	Plant and equipment \$'000	Finance leased buses \$'000	Rolling stock \$'000	Buses \$'000	Ferries \$'000	Total \$'000	
<b>Consolidated</b>											
<b>Year ended 30 June 2015</b>											
At cost - Gross carrying amount	18,899	4,323,560	5,296,849	9,620,409	293,934	671,219	93,051	-	9,131	1,067,335	10,706,643
Accumulated depreciation and impairment	-	-	-	-	-	(122,902)	-	-	-	(122,902)	(122,902)
At fair value	4,002,433	103,233,586	38,531,912	141,765,498	873,952	-	8,661,374	955,512	283,883	10,774,721	156,542,652
Accumulated depreciation and impairment	(219,229)	(33,683,952)	(14,051,568)	(47,735,520)	(655,697)	-	(3,889,998)	(398,106)	(228,203)	(5,172,004)	(53,126,753)
<b>Net carrying amount</b>	<b>3,802,103</b>	<b>73,873,194</b>	<b>29,777,193</b>	<b>103,650,387</b>	<b>512,189</b>	<b>548,317</b>	<b>4,864,427</b>	<b>557,406</b>	<b>64,811</b>	<b>6,547,150</b>	<b>113,999,640</b>
<b>Year ended 30 June 2016</b>											
At cost - Gross carrying amount	19,943	4,267,406	7,168,833	11,436,239	103,242	904,939	151,279	-	-	1,159,460	12,615,642
Accumulated depreciation and impairment	-	-	-	-	-	(172,194)	-	-	-	(172,194)	(172,194)
At fair value	4,277,946	106,519,615	40,788,643	147,308,258	1,143,126	-	8,681,251	1,012,147	241,714	11,078,238	162,664,442
Accumulated depreciation and impairment	(258,431)	(34,826,268)	(15,097,984)	(49,924,252)	(555,916)	-	(4,122,038)	(675,273)	(189,087)	(5,542,314)	(55,724,997)
<b>Net carrying amount</b>	<b>4,039,458</b>	<b>75,960,753</b>	<b>32,859,492</b>	<b>108,820,245</b>	<b>690,452</b>	<b>732,745</b>	<b>4,710,492</b>	<b>336,874</b>	<b>52,627</b>	<b>6,523,190</b>	<b>119,382,893</b>

There was nil (2015: nil) property, plant and equipment held by the parent.

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### Consolidated - 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:

Consolidated	Infrastructure systems				Plant and equipment						Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Total	
Year ended 30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at start of year	3,802,103	73,873,194	29,777,193	103,650,387	512,189	548,317	4,864,427	557,406	64,811	6,547,150	113,999,640
Additions	812,403	3,638,910	3,016,781	6,655,691	114,167	233,994	96,362	29,484	5,883	479,890	7,947,984
Assets recognised for the first time (note 3(e))	-	37,896	-	37,896	-	-	-	-	-	-	37,896
Net revaluation increments less revaluation decrements recognised in other comprehensive income	31,022	95,129	1,033,535	1,128,664	-	-	-	(7,893)	(1,799)	(9,692)	1,149,994
Revaluation decrements recognised in profit and loss (note 5)	-	-	-	-	-	-	-	(192,264)	(3,799)	(196,063)	(196,063)
Disposals (note 4)	(7,728)	-	(84,101)	(84,101)	(11,473)	-	(3,229)	(3,814)	-	(18,516)	(110,345)
Impairment losses (note 5)	-	(131,294)	-	(131,294)	-	-	-	-	-	-	(131,294)
Assets transferred to/from non-current assets held for sale	(267,396)	-	(768)	(768)	-	-	-	(48)	-	(48)	(268,212)
Reclassifications between PPE classes	(301,135)	68,130	337,389	405,519	(106,770)	-	544	1,842	-	(104,384)	-
Reclassifications to/from intangible assets (note 14)	-	-	(16,511)	(16,511)	287,775	-	-	-	-	287,775	271,264
Reclassifications to/from other assets	(1,229)	-	(338,002)	(338,002)	(1)	-	-	-	-	(1)	(339,232)
Depreciation expense (note 2(d))	(27,545)	(1,531,328)	(861,684)	(2,393,012)	(105,435)	(49,566)	(247,612)	(47,839)	(12,469)	(462,921)	(2,883,478)
Increase/(decrease) in net assets from equity transfers (note 30)	(93)	-	-	-	-	-	-	-	-	-	(93)
Transfers to and from local councils	(944)	(89,884)	(4,340)	(94,224)	-	-	-	-	-	-	(95,168)
<b>Net carrying amount at 30 June 2016</b>	<b>4,039,458</b>	<b>75,960,753</b>	<b>32,859,492</b>	<b>108,820,245</b>	<b>690,452</b>	<b>732,745</b>	<b>4,710,492</b>	<b>336,874</b>	<b>52,627</b>	<b>6,523,190</b>	<b>119,382,893</b>

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

The reclassifications between PPE classes comprise mainly transfer of land and buildings acquired for the Sydney Metro and Wynyard Walk projects to rail infrastructure systems.

The reclassifications to other assets comprise mainly transfer of rail infrastructure systems to non current prepaid assets. Transport for NSW has entered into a Public Private Partnership with ALTRAC Light Rail Consortium for the construction and operation of CBD and South East Light Rail. The costs incurred prior to construction completion are recognised as prepaid asset and in accordance with NSW Treasury Policy TPP 06-8. Construction is expected to be completed by 2019.

Roads were transferred to and from councils.

- a) Revaluations on land and buildings were undertaken in a number of the controlled entities in 2015-16. The fair value of such assets are stated at fair value using either the direct comparison approach or depreciated replacement cost (DRC).
- b) Revaluations on infrastructure assets; track, roads, bridges and land and building acquired for future road works, were performed in 2015-16.
- c) All road infrastructure assets are stated at fair value using the DRC approach:

The methods and significant assumptions applied in estimating the 'Roads' asset class fair values include Primary Approach, Secondary Approach and Hybrid Approach;

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

Land and buildings acquired for future road works, where possible, the fair value are determined by reference to recent market transactions, using the following methods and assumptions:

- The pre-acquisition market value was used as the base value for determining fair value.
- For land and buildings parcels purchased prior to 2000 or where pre-acquisition market values were not available, a rate per square metre was calculated from recent market transactions within the same or similar Local Government Areas and applied to the current parcel area.

- d) Revaluations on buses were undertaken in 2015-16 using the DRC approach.

# Department of Transport

Notes to the financial statements  
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## 13. Property, plant and equipment (cont'd)

### Consolidated - 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:

Consolidated	Infrastructure systems				Plant and equipment						Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Total	
Year ended 30 June 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at start of year	3,391,649	69,480,682	26,934,525	96,415,207	515,223	530,534	5,092,051	576,187	71,031	6,785,026	106,591,882
Additions	495,531	2,960,590	2,712,761	5,673,351	67,296	85,149	53,590	-	4,192	210,227	6,379,109
Assets recognised for the first time (note 3(e))	-	198,452	-	198,452	-	-	-	-	-	-	198,452
Net revaluation increments less revaluation decrements	65,422	2,881,057	1,076,207	3,957,264	-	-	-	(25)	-	(25)	4,022,661
Disposals (note 4)	(55,286)	-	(178,774)	(178,774)	(4,095)	-	(467)	(17)	-	(4,579)	(238,639)
Impairment losses (note 5)	-	(172,118)	-	(172,118)	(1,733)	-	-	(35)	-	(1,768)	(173,886)
Assets transferred to/from non-current assets held for sale	(28,266)	-	(700)	(700)	-	-	-	42	-	42	(28,924)
Reclassifications between PPE classes	(7,192)	15,605	57,021	72,626	(36,311)	(31,360)	(29,122)	31,360	-	(65,433)	1
Reclassifications to/from intangible assets (note 14)	-	-	-	-	51,400	-	-	-	-	51,400	51,400
Reclassifications to/from other assets	-	-	-	-	-	-	-	(3,141)	-	(3,141)	(3,141)
Depreciation expense (note 2(d))	(28,809)	(1,489,327)	(816,881)	(2,306,208)	(80,018)	(36,006)	(251,625)	(46,965)	(10,412)	(425,026)	(2,760,043)
Increase/(decrease) in net assets from equity transfers (note 30)	(30,946)	-	(3,200)	(3,200)	427	-	-	-	-	427	(33,719)
Roads and bridges transferred to and from local councils	-	(1,747)	(3,766)	(5,513)	-	-	-	-	-	-	(5,513)
<b>Net carrying amount at 30 June 2015</b>	<b>3,802,103</b>	<b>73,873,194</b>	<b>29,777,193</b>	<b>103,650,387</b>	<b>512,189</b>	<b>548,317</b>	<b>4,864,427</b>	<b>557,406</b>	<b>64,811</b>	<b>6,547,150</b>	<b>113,999,640</b>

# Department of Transport

Notes to the financial statements  
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## 14. Intangibles assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Intangible assets</b>				
Cost (gross carrying amount)	1,812,220	1,579,015	-	-
Accumulated amortisation and impairment	(525,233)	(419,364)	-	-
<b>Net carrying amount at fair value</b>	<b>1,286,987</b>	<b>1,159,651</b>	<b>-</b>	<b>-</b>
Net carrying amount at beginning of the year	1,159,651	879,780	-	-
Additions	527,136	413,246	-	-
Reclassifications to property, plant and equipment (note 13)	(271,264)	(51,400)	-	-
Impairment reversals / (losses) (note 5)	(2,777)	582	-	-
Amortisation expense (note 2(d))	(123,752)	(79,224)	-	-
Acquisitions through administrative restructure (note 30)	-	682	-	-
Impairment - intangibles (note 5)	-	(2,125)	-	-
Disposals (note 4)	(2,007)	(1,890)	-	-
<b>Net carrying amount at end of year</b>	<b>1,286,987</b>	<b>1,159,651</b>	<b>-</b>	<b>-</b>

## 15. Other assets

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Non-current other assets</b>				
Right to receive privately financed transport infrastructure (see below for movements)	1,664,204	1,437,396	-	-
Prepaid assets	542,068	-	-	-
Right to receive ferry inventory	-	119	-	-
	<b>2,206,272</b>	<b>1,437,515</b>	<b>-</b>	<b>-</b>
<b>Movement in right to receive privately financed transport infrastructure</b>				
Balance 1 July	1,437,396	1,231,469	-	-
Period increment emerging right to receive (note 3(e))	226,808	205,927	-	-
<b>Net carrying amount at end of year</b>	<b>1,664,204</b>	<b>1,437,396</b>	<b>-</b>	<b>-</b>

Transport for NSW has entered into PPP contracts with ALTRAC Light Rail Consortium for the construction of Sydney Light Rail and with Northwest Rapid Transit for the construction of the Sydney Metro Northwest. The costs incurred prior to completion of the construction phase are recognised as prepaid asset in accordance with NSW Treasury Policy TPP 06-8. Both construction phases are expected to be completed by 2019.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

### (a) Fair value hierarchy

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2016.

2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Property, plant and equipment (note 13)</b>				
Land and buildings	-	3,463,896	552,592	4,016,488
Plant and equipment				
Plant and equipment	-	903	105,504	106,407
Rolling stock	-	-	4,559,213	4,559,213
Buses	-	-	334,436	334,436
Ferries	-	-	52,627	52,627
Infrastructure systems				
Road and maritime systems	-	-	71,693,347	71,693,347
Rail systems	-	-	25,690,659	25,690,659
<b>Non-current assets held for sale (note 11)</b>	-	229,176	10,230	239,406
<b>Other non-financial assets (note 15)</b>	-	-	1,664,204	1,664,204
	-	<b>3,693,975</b>	<b>104,662,812</b>	<b>108,356,787</b>

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

2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Property, plant and equipment (note 13)</b>				
Land and buildings	-	2,926,926	850,974	3,777,900
Plant and equipment				
Plant and equipment	-	1,049	217,206	218,255
Rolling stock	-	-	4,771,376	4,771,376
Buses	-	-	549,169	549,169
Ferries	-	-	55,680	55,680
Infrastructure systems				
Road and maritime systems	-	-	69,549,634	69,549,634
Rail systems	-	-	24,480,344	24,480,344
<b>Non-current assets held for sale (note 11)</b>	-	2,741	16,882	19,623
<b>Other non-financial assets (note 15)</b>	-	-	1,437,396	1,437,396
	-	<b>2,930,716</b>	<b>101,928,661</b>	<b>104,859,377</b>

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

Roads and maritime work in progress infrastructure assets are measured at cost and have been excluded from Note 16 Fair value measurement of non-financial assets. Level 3 fair value assets in the prior year has been updated accordingly.

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

### (b) Valuation techniques

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

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

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

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

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

### (c) Valuation processes and inputs

The Department engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets at the end of the reporting period, at least every 5 years. During the financial year 2016, a full valuation of the following assets was carried out by independent valuers, with the other non-financial assets not required to be revalued:

- The fair value of trackwork and infrastructure assets at RailCorp was valued by Advisian Pty Ltd.
- The fair value of land and buildings at State Transit Authority was valued by AssetVal Pty Ltd.
- The fair value of buses was valued by AssetVal Pty Ltd.
- The fair value of land and buildings at RMS was valued by various independent valuers.

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

- The Country Regional Network infrastructure assets at Transport for NSW were valued by Aquentia Pty Ltd.
- The land, buildings, rolling stock and major plant and equipment at RailCorp were valued by Advisian Pty Ltd.
- The land, buildings and ferries at Sydney Ferries were valued by RHAS.
- The roads and maritime infrastructure assets were valued internally by qualified valuers, engineering contractors and employees of RMS.

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

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

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

- **Land and building** - acquisition cost, sale prices for comparable properties, rate per square metre of land area, land size, replacement building costs are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each property, adjusted for the specific attributes of the property being revalued, such as location, land use, landing values applying in the locality and taking into consideration the implications of the applicable existing lease over the property. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry. Construction costs incurred are determined by management in accordance with applicable Australian Accounting Standards.
- **Plant and equipment** – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.
- **Light rail infrastructure and rolling stock** - replacement costs, construction project costs, length of the tracks, overhead power and stabling yards, number of stops/stations, economic working lives of the assets, expired and remaining economic life, depreciation methods, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Country rail 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 are estimated by the external valuer and/or management based on recently completed transactions, projects, and current market rates where available, with allowances for demolition of the existing property, contractor's off-site overheads and margin, and the location factor.
- **Trackwork and other rail infrastructure assets** – raw materials and labour rates, pricing for tracks/wiring, construction methodology, structural foundations, and other specific allowances were estimated by the external valuer to establish the optimised replacement cost of each asset, taking into consideration historical data, existing assets and current railway infrastructure technologies. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry.
- **Other rolling stock** - prices from relevant contracts awarded for the manufacture of the asset, international transportation costs, structural modification costs, replacement cost, are estimated by the external valuer, based on replacement costs of both domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence and qualitative attractiveness of the fleet sub types relative to the modern equivalent. International prices and exchange rates are adjusted for international transportation costs or structural modifications. Technical data and remaining life of rolling stock were confirmed by the engineering staff of Sydney Trains and Transport for NSW.
- **Road infrastructure** - unit replacement rates for road, bridge and traffic control signal infrastructure valuation is carried out by suitably qualified engineering contractors and employees of Roads and Maritime Services, by reference to unit prices quoted in the most recent relevant infrastructure construction tender documents, where the price range is adjusted to eliminate outlier amounts. The unit replacement rates are adjusted by the Road Cost Index as applicable. Land under roads and within road reserves are revalued annually by applying the most recent urban rateable average value per hectare provided by the Valuer General to the land under roads and within reserves within each Local Government Area.
- **Ferries** - depreciated replacement cost, including delivery and professional fees were estimated by the external valuer based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the agreed criteria with management. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.
- **Buses** - end of life residual value, exponential decay curve and disposal costs were estimated by the external valuer based on the current market sales evidence and common valuation practice for buses. Replacement costs and useful life are determined by management based on the current purchase prices and expected useful life of the buses.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

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

- **Non-current asset held for sale** - rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.
- **Leasehold improvement make good** - restoration cost per square metre, inflation rate, market yield on Government bonds, lease terms are estimated and obtained by management.
- **Emerging interest from Public Private Partnership Projects** - replacement costs, inflation rate and discount rate are determined by management in accordance with Treasury policy.

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

There were no transfers between level 1 and 2 for recurring and non-recurring fair value measurements during the year.

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

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

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

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Assets held for sale	Direct comparison and direct capitalisation approaches: these valuation methods involve comparing the subject asset to comparable sales in similar and surrounding locations on a rate per square metre of the gross floor area, and current market trading value on a price per gaming entitlements and permits basis, adjusted for key attributes such as location, size, demand, sales condition and market condition.	<ul style="list-style-type: none"> <li>Rate per square metre of the gross floor area</li> <li>Market value per block of gaming machine entitlements</li> <li>Market value per poker machine permits</li> <li>Valuation decline factor</li> <li>Sales cost per property</li> </ul>	In aggregate \$10.2 million (2015: \$16.9 million)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>rate per square metre of the gross floor area increase/(decrease)</li> <li>market value per block of gaming machine entitlement increase/(decrease)</li> <li>market value of per poker machine permits increase/(decrease)</li> <li>valuation decline factor decrease/(increase)</li> <li>sales cost per property (increase)/decrease</li> </ul>
Emerging interest assets	Present value approach: this valuation method involves determining the replacement cost (fair value) of the underlying physical assets at the end of the public private partnership contract, allocating the replacement cost over the contract period as the compounding value of an annuity discounted using the NSW Government bond rate applicable at the commencement of the contract, adjusted for inflation.	<ul style="list-style-type: none"> <li>Replacement cost</li> <li>Discount rate</li> <li>Inflation rate</li> </ul>	In aggregate \$1.7 billion (2015: \$1.4 billion)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>replacement cost increase/(decrease)</li> <li>discount rate decrease/(increase)</li> <li>inflation rate increase/(decrease)</li> </ul>

There were no significant inter-relations between unobservable inputs that would materially affect the overall valuation.

## Department of Transport

Notes to the financial statements

for the year ended 30 June 2016

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

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

2016	Land & Buildings \$'000	Road and Maritime systems \$'000	Rail systems \$'000	Plant & equipment \$'000	Rolling stock \$'000	Buses \$'000	Ferries \$'000	Other non-financial assets \$'000	Total \$'000
Fair value as at 1 July 2015	850,974	69,549,634	24,480,345	217,206	4,771,376	549,169	55,680	1,437,396	101,911,780
Additions	2,276	1,256,516	1,123,381	26,676	34,958	29,484	5,883	226,808	2,705,982
Revaluation increments / decrements recognised in net result - included in the line item 'other gains / (losses)'	-	-	-	-	-	(192,264)	(3,799)	-	(196,063)
Revaluation increments/ decrements recognised in other comprehensive income - included in line item 'net increase / (decrease) in property, plant and equipment revaluation surplus'	17,683	95,129	1,033,535	-	-	(7,893)	(1,799)	-	1,136,655
Transfers from Level 2	-	17,847	-	-	-	-	-	-	17,847
Transfer (to)/from asset under construction	-	2,488,672	(223,527)	-	544	3,661	-	-	2,269,350
Transfer (to)/ from other class of assets	(306,223)	-	397,835	(91,612)	-	-	-	-	-
Transfer to council	(944)	(89,884)	-	-	-	-	-	-	(90,828)
Assets recognised for the first time	-	37,896	-	-	-	-	-	-	37,896
Transfer to assets held for sale	-	-	(768)	-	-	(48)	-	-	(816)
Disposals	-	(131,135)	(258,459)	(5,950)	(52)	(165)	-	-	(395,761)
Depreciation	(9,619)	(1,531,328)	(861,684)	(40,817)	(247,612)	(47,508)	(12,469)	-	(2,751,037)
Other movements	(1,555)	-	-	-	-	-	9,132	-	7,577
<b>Fair value as at 30 June 2016</b>	<b>552,592</b>	<b>71,693,347</b>	<b>25,690,658</b>	<b>105,503</b>	<b>4,559,214</b>	<b>334,436</b>	<b>52,628</b>	<b>1,664,204</b>	<b>104,652,582</b>

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Notes to the financial statements

for the year ended 30 June 2016

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

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

2015	Land & Buildings \$'000	Road and Maritime systems \$'000	Rail systems \$'000	Plant & equipment \$'000	Rolling stock \$'000	Buses \$'000	Ferries \$'000	Other non- financial assets \$'000	Total \$'000
Fair value as at 1 July 2014	637,473	65,472,877	22,658,142	222,731	4,993,814	564,908	66,092	1,231,469	95,847,506
Additions	52,156	1,128,130	1,626,249	38,703	29,654	31,360		205,927	3,112,179
Revaluation increments / decrements recognised in net result - included in the line item 'other gains / (losses)'	(59,125)	-	-	-	-	-	-	-	(59,125)
Revaluation increments/ decrements recognised in other comprehensive income - included in line item / net increase / (decrease) in property, plant and equipment revaluation surplus'	7,847	2,880,362	1,076,207	-	-	-	-	-	3,964,416
Transfers from Level 2	-	19,924	-	-	-	-	-	-	19,924
Transfers to Level 2	-	(4,319)	-	-	-	-	-	-	(4,319)
Transfer from asset under construction	-	1,508,630	-	-	-	-	-	-	1,508,630
Transfer (to)/ from other class of assets	-	-	-	-	-	-	-	-	-
Transfer to council	-	(1,747)	-	-	-	-	-	-	(1,747)
Assets recognised for the first time	-	198,452	-	-	-	-	-	-	198,452
Transfer to assets held for sale	-	-	(700)	-	-	-	-	-	(700)
Disposals	(37)	(163,348)	(53,914)	(5,887)	(467)	(114)	-	-	(223,767)
Depreciation	(12,624)	(1,489,327)	(816,881)	(38,341)	(251,625)	(46,966)	(10,412)	-	(2,666,176)
Other movements	225,284	-	(8,759)	-	-	(19)	-	-	216,506
<b>Fair value as at 30 June 2015</b>	<b>850,974</b>	<b>69,549,634</b>	<b>24,480,344</b>	<b>217,206</b>	<b>4,771,376</b>	<b>549,169</b>	<b>55,680</b>	<b>1,437,396</b>	<b>101,911,779</b>

# Department of Transport

Notes to the financial statements  
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## 17. Payables

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Current payables</b>				
Accrued salaries, wages and on-costs	65,706	65,489	2	2
Trade creditors	255,421	285,628	16	-
Interest	21,250	17,176	-	-
Accruals	1,827,923	1,581,967	252	214
Other creditors	198,640	163,583	2	509
	<b>2,368,940</b>	<b>2,113,843</b>	<b>272</b>	<b>725</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 29.

## 18. Borrowings

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Current borrowings</b>				
NSW Treasury advances repayable	-	2,033	-	-
NSW TCorp borrowings	844,091	576,596	-	-
Finance leases (note 23)	130,340	95,885	-	-
Other loans and deposits	-	97	-	-
	<b>974,431</b>	<b>674,611</b>	<b>-</b>	<b>-</b>
<b>Non-current borrowings</b>				
NSW TCorp borrowings	2,130,143	1,515,777	-	-
Finance leases (note 23)	3,024,898	2,908,802	-	-
	<b>5,155,041</b>	<b>4,424,579</b>	<b>-</b>	<b>-</b>

The finance leases relate to the provision of a maintenance facility, simulators and trains under a public private partnership (PPP) for rolling stock and 'deemed finance lease' arrangements for buses under the Sydney metropolitan, outer metropolitan and rural and regional bus contracts with private transport operators.

### Repayment of borrowings

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Not later than one year	974,431	674,611	-	-
Between one and five years	1,672,630	1,262,100	-	-
Later than five years	3,482,411	3,162,479	-	-
<b>Total borrowings at face value</b>	<b>6,129,472</b>	<b>5,099,190</b>	<b>-</b>	<b>-</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in note 29.

# Department of Transport

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## 19. Employee benefits

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Current employee benefits</b>				
Annual leave*	301,597	296,869	134	7
Long service leave*	412,814	529,711	2	2
Workers' compensation insurance	18,135	17,926	-	-
Payroll tax	6,547	5,564	-	1
Fringe benefits tax	-	217	-	217
Public holidays	12,092	25,648	-	-
Severance payments / redundancies	16,332	34,381	-	-
	<b>767,517</b>	<b>910,316</b>	<b>136</b>	<b>227</b>
<b>Non-current employee benefits</b>				
Long service leave	37,916	48,466	-	-
Workers' compensation insurance	89,451	90,301	-	-
Superannuation	1,227,194	2,024,518	-	-
	<b>1,354,561</b>	<b>2,163,285</b>	<b>-</b>	<b>-</b>

\* It is estimated that the provision for annual leave includes \$47.0 million (2015: \$37.4 million) and long service leave includes \$385.9 million (2015: \$471.8 million) that are expected to be paid later than 12 months.

On 1 July 2015, \$164.9 million provision for long service leave and \$1,191.4 million provision for super defined-benefit were assumed by the Crown. The assumed amount related to the RMS employment group of Transport Services.

### Defined-benefit superannuation overview

This overview only relates to the STA Employment Group of Transport Services, Sydney Trains and NSW Trains employees (2015: STA and RMS Employment Groups, Sydney Trains and NSW Trains employees) whose defined benefit superannuation schemes are not assumed by the Crown Entity.

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

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

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Notes to the financial statements  
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## 19. Employee benefits (cont'd)

Year ended 30 June 2016	SASS	SANCS	SSS	Total
<b>Member numbers</b>				
Contributors	2,497	2,501	4	
Deferred benefits	-	-	1	
Pensioners	710	-	37	
Pensions fully commuted	-	-	2	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability <sup>1</sup>	2,352,589	180,754	80,274	2,613,617
Estimated reserve account balance	(1,243,406)	(109,416)	(33,601)	(1,386,423)
Deficit/(surplus)	<b>1,109,183</b>	<b>71,338</b>	<b>46,673</b>	<b>1,227,194</b>
Future service liability <sup>2</sup>	78,720	57,693	601	137,014
Net (asset)/liability to be recognised in statement of financial position	<b>1,109,183</b>	<b>71,338</b>	<b>46,673</b>	<b>1,227,194</b>
<b>Year ended 30 June 2015</b>				
<b>Member numbers</b>				
Contributors	3,526	3,652	126	
Deferred benefits	-	-	38	
Pensioners	935	-	1,327	
Pensions fully commuted	-	-	488	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability <sup>1</sup>	2,645,325	225,109	1,573,232	4,443,666
Estimated reserve account balance	(1,684,563)	(148,345)	(586,240)	(2,419,148)
Deficit/(surplus)	<b>960,762</b>	<b>76,764</b>	<b>986,992</b>	<b>2,024,518</b>
Future service liability <sup>2</sup>	105,777	71,830	12,858	190,465
Surplus in excess of recovery available from schemes	-	-	-	-
	<b>960,762</b>	<b>76,764</b>	<b>986,992</b>	<b>2,024,518</b>

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

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

## 19. Employee benefits (cont'd)

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

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

- \* State Authorities Superannuation Scheme (SASS)
- \* State Superannuation Scheme (SSS)
- \* Police Superannuation Scheme (PSS)
- \* State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the Schemes are closed to new members.

- **Description of the regulatory framework**

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

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

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

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

# Department of Transport

Notes to the financial statements  
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## 19. Employee benefits (cont'd)

### • Description of risks

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

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

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

### • Description of significant events

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

### • Reconciliation of the Net Defined Benefit Liability/(Asset)

Year ended 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of year including RMS	960,762	76,764	986,992	2,024,518
Net defined benefit liability/(asset) for RMS transfer to Crown at 1 July 2015	(216,815)	(20,640)	(953,992)	(1,191,447)
Net Defined Benefit Liability/(asset) at start of year excluding RMS	743,947	56,124	33,000	833,071
Current service cost	19,943	6,555	92	26,590
Net Interest on the net defined benefit liability/(asset)	22,050	1,572	1,000	24,622
Actual return on Fund assets less Interest income	814	(99)	(37)	678
Actuarial (gains)/losses arising from changes in demographic assumptions	70,239	(384)	2,281	72,136
Actuarial (gains)/losses arising from changes in financial assumptions	250,989	14,680	10,252	275,921
Actuarial (gains)/losses arising from liability experience	33,625	1,371	85	35,081
Employer contributions	(32,424)	(8,481)	-	(40,905)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>1,109,183</b>	<b>71,338</b>	<b>46,673</b>	<b>1,227,194</b>

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Notes to the financial statements  
for the year ended 30 June 2016

## 19. Employee benefits (cont'd)

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of year	943,814	91,063	926,789	1,961,666
Current service cost	31,565	10,341	2,734	44,640
Net Interest on the net defined benefit liability/(asset)	32,800	2,901	33,080	68,781
Actual return on Fund assets less Interest income	(134,720)	(11,407)	(45,427)	(191,554)
Actuarial (gains)/losses arising from changes in demographic assumptions	8,986	983	67	10,036
Actuarial (gains)/losses arising from changes in financial assumptions	128,599	8,615	118,244	255,458
Actuarial (gains)/losses arising from liability experience	(195)	(6,005)	(48,143)	(54,343)
Employer contributions	(36,357)	(17,797)	(352)	(54,506)
Effects of transfers in/out due to business combinations and disposals	(13,730)	(1,930)	-	(15,660)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>960,762</b>	<b>76,764</b>	<b>986,992</b>	<b>2,024,518</b>

- Reconciliation of the Fair Value of Fund Assets

Year ended 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at beginning of the year including RMS	1,684,563	148,345	586,240	2,419,148
Fair value of fund assets for RMS transfer to Crown at 1 July 2015	(369,280)	(33,500)	(551,352)	(954,132)
Fair value of Fund assets at beginning of the year excluding RMS	1,315,283	114,845	34,888	1,465,016
Interest income	38,207	3,379	1,019	42,605
Actual return on Fund assets less Interest income	(814)	99	37	(678)
Employer contributions	32,424	8,481	-	40,905
Contributions by participants	12,703	-	45	12,748
Benefits paid	(146,497)	(15,940)	(2,537)	(164,974)
Taxes, premiums & expenses paid	(7,900)	(1,449)	149	(9,200)
<b>Fair value of fund assets at end of the year</b>	<b>1,243,406</b>	<b>109,415</b>	<b>33,601</b>	<b>1,386,422</b>

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at beginning of the year	1,652,483	153,881	615,267	2,421,631
Interest income	56,071	5,253	20,961	82,285
Actual return on Fund assets less Interest income	134,720	11,407	45,427	191,554
Employer contributions	36,357	17,797	352	54,506
Contributions by participants	19,238	-	3,182	22,420
Benefits paid	(275,568)	(40,259)	(104,927)	(420,754)
Taxes, premiums & expenses paid	66,487	491	5,978	72,956
Transfers in/out due to business combinations and disposals	(5,225)	(225)	-	(5,450)
<b>Fair value of fund assets at end of the year</b>	<b>1,684,563</b>	<b>148,345</b>	<b>586,240</b>	<b>2,419,148</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 19. Employee benefits (cont'd)

### • Reconciliation of the Defined Benefit Obligation

Year ended 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year including RMS	2,645,325	225,109	1,573,232	4,443,666
Present value of defined benefit obligations for RMS transfer to Crown at 1 July 2015	(586,095)	(54,140)	(1,505,344)	(2,145,579)
Present value of defined benefit obligations at beginning of the year excluding RMS	2,059,230	170,969	67,888	2,298,087
Current service cost	19,943	6,555	92	26,590
Interest cost	60,257	4,951	2,019	67,227
Contributions by participants	12,703	-	45	12,748
Actuarial (gains)/losses arising from changes in demographic assumptions	70,239	(384)	2,281	72,136
Actuarial (gains)/losses arising from changes in financial assumptions	250,989	14,680	10,252	275,921
Actuarial (gains)/losses arising from liability experience	33,625	1,371	85	35,081
Benefits paid	(146,497)	(15,940)	(2,537)	(164,974)
Taxes, premiums & expenses paid	(7,900)	(1,448)	149	(9,199)
<b>Present value of defined benefit obligations at end of the year</b>	<b>2,352,589</b>	<b>180,754</b>	<b>80,274</b>	<b>2,613,617</b>

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	2,596,297	244,944	1,542,056	4,383,297
Current service cost	31,565	10,341	2,734	44,640
Interest cost	88,871	8,154	54,041	151,066
Contributions by participants	19,238	-	3,182	22,420
Actuarial (gains)/losses arising from changes in demographic assumptions	8,986	983	67	10,036
Actuarial (gains)/losses arising from changes in financial assumptions	128,599	8,615	118,244	255,458
Actuarial (gains)/losses arising from liability experience	(195)	(6,005)	(48,143)	(54,343)
Benefits paid	(275,568)	(40,259)	(104,927)	(420,754)
Taxes, premiums & expenses paid	66,487	491	5,978	72,956
Transfers in/out due to business combinations and disposals	(18,955)	(2,155)	-	(21,110)
<b>Present value of defined benefit obligations at end of the year</b>	<b>2,645,325</b>	<b>225,109</b>	<b>1,573,232</b>	<b>4,443,666</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 19. Employee benefits (cont'd)

- Reconciliation of the effect of the Asset Ceiling

Year ended 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- Fair value of Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities.

**As such, the disclosures below relate to total assets of the Pooled Fund.**

Year ended 30 June 2016	Total \$'000	Quoted prices in active markets for identical assets \$'000	Significant observable inputs \$'000	Unobservable inputs \$'000
<b>Asset category</b>				
Short term securities	2,050,414	2,044,454	5,960	-
Australian fixed interest	2,720,590	2,724	2,717,866	-
International fixed interest	834,374	(1,358)	835,732	-
Australian equities	9,720,877	9,171,767	549,086	24
International equities	12,093,667	9,026,207	2,078,766	988,694
Property	3,650,267	1,113,253	618,946	1,918,068
Alternatives	7,115,949	470,130	3,122,185	3,523,634
<b>Total*</b>	<b>38,186,138</b>	<b>21,827,177</b>	<b>9,928,541</b>	<b>6,430,420</b>

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

### 19. Employee benefits (cont'd)

- Fair value of Fund assets (cont'd)

Year ended 30 June 2015	Total \$'000	Quoted prices in active markets for identical assets \$'000	Significant observable inputs \$'000	Unobservable inputs \$'000
Short term securities	2,641,516	95,603	2,545,913	-
Australian fixed interest	2,656,598	958	2,638,759	16,881
International fixed interest	1,003,849	(110)	1,003,959	-
Australian equities	10,406,940	9,898,541	503,999	4,400
International equities	13,111,481	9,963,287	2,585,150	563,044
Property	3,452,609	948,421	718,406	1,785,782
Alternatives	7,170,187	622,102	3,020,225	3,527,860
<b>Total*</b>	<b>40,443,180</b>	<b>21,528,802</b>	<b>13,016,411</b>	<b>5,897,967</b>

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

	2016 %	2015 %
Australian equities	25.5	25.7
International/overseas equities	31.7	32.4
Australian fixed interest securities	7.1	6.6
International/overseas fixed interest securities	2.2	2.5
Property	9.6	8.6
Short term securities	5.4	6.5
Alternatives	18.5	17.7
	100.0	100.0

\*Additional to the assets disclosed above, at 30 June 2016 Pooled Fund has provisions for receivables/(payables) estimated to be around \$2.83 billion (2015:\$1.7 billion), giving an estimated assets totalling around \$41.0 billion (2015:\$42.2 billion).

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 19. Employee benefits (cont'd)

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

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

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

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

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

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

The fair value of the Pooled Fund assets include as at 30 June 2016 of \$189.6 million (2015: \$209.2 million) in NSW government bonds.

- **Significant Actuarial Assumptions at the Reporting Date**

	2016	2015
Discount rate	1.99% pa	3.03% pa
Salary increase rate (excluding promotional increases)	2.50% 2016/2017 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter	2.50% 2015/2016 to 2018/2019; 3.50% 2019/2020; 3.00% pa 2021/2022 to 2024/2025; 3.50% pa thereafter
Rate of CPI increase	1.50% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter	2.50% 2015/2016; 2.75% 2016/2017 & 2017/2018; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2012 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

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Notes to the financial statements  
for the year ended 30 June 2016

## 19. Employee benefits (cont'd)

- **Sensitivity analysis**

The entity's total defined benefit obligation as at 30 June 2016 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2016.

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

	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	1.99%	0.99%	2.99%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	2,613,617,133	2,964,063,717	2,332,219,982
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	2,613,617,133	2,716,332,587	2,520,162,872
	<b>Base case</b>	<b>Scenario E +0.5% salary increase rate</b>	<b>Scenario F -0.5% salary increase rate</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	2,613,617,133	2,668,700,840	2,561,205,155
	<b>Base case</b>	<b>Scenario G Higher pensioner mortality rates *</b>	<b>Scenario H Lower pensioner mortality rates **</b>
Defined benefit obligation (A\$)	2,613,617,133	2,594,703,959	2,652,868,997

\* Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021

\*\* Assumes the short term pensioner mortality improvement factors for years 2016-2021 also apply for years after 2021

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 19. Employee benefits (cont'd)

- **Sensitivity analysis (cont'd)**

The entity's total defined benefit obligation as at 30 June 2015 under several scenarios is presented below. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	3.03%	2.03%	4.03%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	4,443,666	4,989,317	3,997,948
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rate plus 0.5% pa	above rate plus 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	4,443,666	4,639,816	4,265,081
	<b>Base case</b>	<b>Scenario E +0.5% salary increase rate</b>	<b>Scenario F -0.5% salary increase rate</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$)	4,443,666	4,503,734	4,386,361
	<b>Base case</b>	<b>Scenario G Higher pensioner mortality rates</b>	<b>Scenario H Lower pensioner mortality rates</b>
Defined benefit obligation (A\$)	4,443,666	4,409,972	4,479,392

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

- **Asset-Liability matching strategies**

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

- **Funding arrangements**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 19. Employee benefits (cont'd)

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

- **Surplus/deficit**

The following is a summary of the 30 June 2016 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

Year ended 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	1,422,481	127,562	37,183	1,587,226
Net market value of Fund assets	(1,243,406)	(109,416)	(33,601)	(1,386,423)
<b>Net (surplus)/deficit</b>	<b>179,075</b>	<b>18,146</b>	<b>3,582</b>	<b>200,803</b>

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	1,816,920	165,129	807,991	2,790,040
Net market value of Fund assets	(1,684,563)	(148,345)	(586,240)	(2,419,148)
<b>Net (surplus)/deficit</b>	<b>132,357</b>	<b>16,784</b>	<b>221,751</b>	<b>370,892</b>

\*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

- **Contribution recommendations**

Year ended 30 June 2016	SASS % p.a.	SANCS % p.a.	SSS % p.a.
Different contributions are recommended for each entity under the reporting entity. The contributions rates were:			
RailCorp	-	-	-
NSW Trains	-	-	-
Sydney Trains	-	-	-
RMS employment group (Transport Service)	-	-	-
STA employment group (Transport Service)	2.20	2.50	1.60

Year ended 30 June 2015	SASS % p.a.	SANCS % p.a.	SSS % p.a.
Different contributions are recommended for each entity under the reporting entity. The contributions rates were:			
RailCorp	-	-	-
NSW Trains	-	-	-
Sydney Trains	-	-	-
RMS employment group (Transport Service)	1.10	2.07	0.20
STA employment group (Transport Service)	2.20	2.50	1.60

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 19. Employee benefits (cont'd)

- Economic assumptions**

The economic assumptions adopted for the 30 June 2015 actuarial investigation of the Pooled Fund are:

<b>Weighted-average assumptions</b>	<b>2016</b>	<b>2015</b>
Expected rate of return on Fund assets backing current pension liabilities	7.8% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	6.8% pa	7.3% pa SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018,
Expected salary increase rate (excluding promotional salary increases)	3.0% to 30 June 2019 then 3.5% pa thereafter	then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5% pa

- Expected contributions**

<b>Year ended 30 June 2016</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	4,631	822	-	35,846*

\* Total includes additional contributions of \$30.4m in respect of RailCorp, Sydney Trains and NSW Trains.

<b>Year ended 30 June 2015 *</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	9,922	2,965	483	43,763*

\* Total includes additional contributions of \$30.4m in respect of RailCorp, Sydney Trains and NSW Trains.

- Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation is 13.9 years.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 19. Employee benefits (cont'd)

- Profit and loss impact

Year ended 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	19,943	6,555	93	26,591
Net interest	22,050	1,572	1,000	24,622
<b>Defined benefit cost</b>	<b>41,993</b>	<b>8,127</b>	<b>1,093</b>	<b>51,213</b>

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	31,565	10,341	2,734	44,640
Net interest	32,800	2,901	33,080	68,781
<b>Defined benefit cost</b>	<b>64,365</b>	<b>13,242</b>	<b>35,814</b>	<b>113,421</b>

- Other comprehensive income

Year ended 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) losses on liabilities	354,853	15,667	12,618	383,138
Actual return on Fund assets less Interest income	814	(99)	(37)	678
Net Defined Benefit Liability/ (Asset) for RMS transfer to Crown at 1 July 2016	(216,815)	(20,640)	(953,992)	(1,191,447)
<b>Total remeasurement in Other Comprehensive Income</b>	<b>138,852</b>	<b>(5,072)</b>	<b>(941,411)</b>	<b>(807,631)</b>

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) losses on liabilities	137,390	3,594	70,168	211,152
Actual return on Fund assets less Interest income	(134,720)	(11,407)	(45,427)	(191,554)
Effects of transfers in/out due to business combinations and disposals	(13,730)	(1,930)	-	(15,660)
<b>Total remeasurement in Other Comprehensive Income</b>	<b>(11,060)</b>	<b>(9,743)</b>	<b>24,741</b>	<b>3,938</b>

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

### 20. Other provisions

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Current other provisions</b>				
Airport Line asset replacement	2,440	1,855	-	-
Ballast disposal	1,240	3,569	-	-
Land and buildings remediation	11,795	30,898	-	-
Lease make good costs	2,430	7,372	-	-
Legal and related claims	2,000	410	-	-
Public liability claims <sup>(1)</sup>	6,013	8,936	-	-
Land make good costs <sup>(1)</sup>	6,070	41,388	-	-
Other <sup>(1)</sup>	1,281	1,341	-	-
	<b>33,269</b>	<b>95,769</b>	-	-
<b>Non-current other provisions</b>				
Airport Line asset replacement	3,491	4,796	-	-
Ballast disposal	-	5,681	-	-
Land and buildings remediation	9,127	16,519	-	-
Lease make good costs	28,998	31,349	-	-
Other <sup>(1)</sup>	4,620	4,495	-	-
<b>Total non-current provisions</b>	<b>46,236</b>	<b>62,840</b>	-	-

(1) These provisions are amalgamated into other provisions in the movement note below.

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Notes to the financial statements  
for the year ended 30 June 2016

## 20. Other provisions (cont'd)

### Movement in other provisions

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

Consolidated	Airport Line asset replacement	Ballast disposal	Land and buildings remediation	Legal and related claims	Lease make good	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016							
Carrying amount at the beginning of the financial year	6,651	9,250	47,417	410	38,721	56,160	158,609
Additional provision recognised	-	4,369	6,229	2,000	5,685	8,923	27,206
Amounts used	(1,338)	(3,930)	(28,354)	(209)	(4,243)	(32,703)	(70,777)
Unused amounts reversed	-	(8,560)	(4,698)	(201)	(9,156)	(14,411)	(37,026)
Unwinding / change in discount rate	618	111	328	-	421	15	1,493
Carrying amount at end of financial year	<b>5,931</b>	<b>1,240</b>	<b>20,922</b>	<b>2,000</b>	<b>31,428</b>	<b>17,984</b>	<b>79,505</b>

Interest expense of \$1.5 million (2015: \$2.3 million) is included in finance costs (note 2(f)) and comprises unwinding or a change in the discount rate on the above provisions.

Unused amounts reversed for other provisions include \$12.7 million (2015: nil) write back of remediation provision. This amount is recognised in other comprehensive income.

### Airport Line asset replacement

The provision of \$5.9 million (2015: \$6.7 million) recognises the Department's contractual obligation to fund the replacement of major track and tunnel assets of the Airport Line by the line's maintenance contractor during the term of the contractor to 2030. Any unused balance of the provision remaining in 2030 will be shared equally with the maintenance contractor.

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

### Ballast disposal

The provision of \$1.2 million (2015: \$9.3 million) recognises the legal obligation in relation to the disposal of non recyclable landfill and materials arising from ballast recycling operations.

The liability was assessed at 1 April 2016 (2015: 30 June 2015) by management after investigation of stockpiles at the Chullora site.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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## 20. Other provisions (cont'd)

### Land and buildings remediation

The provision of \$20.9 million (2015: \$47.4 million) comprises remediation of asbestos (\$13.0 million (2015: \$17.1 million)) and contaminated land (\$7.9 million (2015: \$30.4 million)). In response to the identification of asbestos contamination in a railway station in March 2006, the Department initiated a program of hazardous materials surveys to identify the full extent of contamination and remedial action required in stations. The program was extended to encompass other hazardous materials and operational buildings including signal boxes, depots and maintenance centres as well as rolling stock.

### Legal and related claims

This provision of \$2.0 million (2015: \$0.4 million) recognises claims against the Department arising from prosecutions or fines in relation to legislative or contractual breaches or other matters. The liability at year end was assessed by management by reviewing individual claims.

### Lease make good

The lease made good provision of \$31.4 million (2015: \$38.7 million) recognises the Department's obligations to dismantle, remove and restore items of property, plant and equipment on the leased properties to its original condition at the conclusion of the lease. The amount of the provision is the best estimate of the expenditure required to settle the present obligations, discounted to reflect the present value of such expenditures; major assumptions used include CPI, discounted at government bond yield and NSW Treasury guided average restoration rate per square meter. The level of the provision is reviewed at the end of each year.

### Other provisions

Other provisions include the public liability provision of \$6.0 million (2015: \$8.9 million) which recognises the claims against the Department arising from personal injuries or property damage occurring on its premises or involving its assets.

The liability at year end was assessed by management. The likely timing of settlement was assessed by reviewing individual claims.

Other provisions also include quarry restoration, marine damage claims, marine hull damage, land make good and other minor provisions. The liabilities at year end were assessed by management.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 21. Other liabilities

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Current other liabilities</b>				
Statutory creditors	12,818	6,451	-	-
Sydney Harbour Tunnel tax liabilities	2,103	2,055	-	-
Holding accounts <sup>1</sup>	230,770	175,909	-	-
Lease incentive	548	1,228	-	-
Deferred revenue - private sector provided infrastructure reimbursement	19,030	19,030	-	-
Income received in advance	63,337	70,516	-	-
Liability for former employee's leave entitlements	4,339	5,007	-	-
	<b>332,945</b>	<b>280,196</b>	-	-

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

<b>Non-current other liabilities</b>				
Sydney Harbour Tunnel tax liabilities	21,088	21,694	-	-
Deferred revenue - private sector provided infrastructure reimbursement	550,081	569,109	-	-
Unearned rent on M5 motorway	4,850	5,363	-	-
Income received in advance	95,814	33,399	-	-
Lease incentives	-	41	-	-
Epping Chatswood Rail Line Improvement	60,608	18,941	-	-
Contributions from Council for light rail	68,200	19,600	-	-
Other	47	45	-	-
	<b>800,688</b>	<b>668,192</b>	-	-

## 22. Financial liabilities at fair value

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Current financial liabilities at fair value</b>				
Derivative financial instruments	5,983	6,173	-	-
	<b>5,983</b>	<b>6,173</b>	-	-
<b>Non-current financial liabilities at fair value</b>				
Derivative financial instruments	2,086	1,107	-	-
	<b>2,086</b>	<b>1,107</b>	-	-

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 23. Commitments

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>(a) Capital Commitments</b>				
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:				
Not later than one year	3,093,582	1,985,571	-	-
Later than one year and not later than five years	3,250,882	2,459,394	-	-
Later than five years	542	387,517	-	-
<b>Total (including GST)</b>	<b>6,345,006</b>	<b>4,832,482</b>	<b>-</b>	<b>-</b>
<b>(b) Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	197,100	177,636	-	-
Later than one year and not later than five years	351,588	328,716	-	-
Later than five years	95,130	33,506	-	-
<b>Total (including GST)</b>	<b>643,818</b>	<b>539,858</b>	<b>-</b>	<b>-</b>
<b>(c) Finance lease commitments</b>				
Minimum lease payment commitments in relation to finance leases payable as follows:				
Not later than one year	364,225	314,724	-	-
Later than one year and not later than five years	1,487,983	1,330,388	-	-
Later than five years	5,360,306	5,602,281	-	-
Minimum lease payments	<b>7,212,514</b>	<b>7,247,393</b>	<b>-</b>	<b>-</b>
Less: future finance charges	4,057,276	4,242,706	-	-
Present value of minimum lease payments	<b>3,155,238</b>	<b>3,004,687</b>	<b>-</b>	<b>-</b>
The present value of finance lease commitments is as follows:				
Not later than one year	130,340	95,885	-	-
Later than one year and not later than five years	581,783	426,525	-	-
Later than five years	2,443,115	2,482,277	-	-
	<b>3,155,238</b>	<b>3,004,687</b>	<b>-</b>	<b>-</b>
Classified as:				
Current borrowings (note 18)	130,340	95,885	-	-
Non current borrowings (note 18)	3,024,898	2,908,802	-	-
	<b>3,155,238</b>	<b>3,004,687</b>	<b>-</b>	<b>-</b>
<b>(d) Other public and private partnerships contract commitments</b>				
Not later than one year	98,405	117,477	-	-
Later than one year and not later than five years	366,297	355,984	-	-
Later than five years	2,526,783	2,701,852	-	-
<b>Total (including GST)</b>	<b>2,991,485</b>	<b>3,175,313</b>	<b>-</b>	<b>-</b>

Input tax (GST) on all commitments estimated at \$907.3 million (2015: \$777.1 million) (parent entity: nil (2015: nil)) will be recouped from the Australian Taxation Office.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 23. Commitments (cont'd)

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>(e) Operating lease receivable commitments</b>				
Not later than one year	73,377	56,365	-	-
Later than one year and not later than five years	182,545	114,259	-	-
Later than five years	446,871	356,076	-	-
<b>Total (including GST)</b>	<b>702,793</b>	<b>526,700</b>	<b>-</b>	<b>-</b>

Goods and Service Tax on the operating lease rental receivable commitments estimated at \$63.9 million (2015: \$47.9 million) (parent entity: nil (2015: nil)) will be payable to the Australian Taxation Office.

## 24. Contingent assets and contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 (2015: nil). The Department had contingent liabilities and contingent assets at 30 June 2016 in respect of:

### (i) Public Private Partnership arrangements

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

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

### (ii) Litigation

Roads and Maritime Services has a number of contractual disputes with an estimated total contingent liability of \$25.1 million (2015: \$26.6 million). Further, contractual claims have arisen after the balance date relating to matters occurring during the financial year, the amounts claimed are in dispute and not disclosed as they are commercial in confidence. Compulsory property acquisition matters under litigation have an estimated contingent liability of \$658.9 million (2015: \$53.5 million). These amounts are net of Treasury Managed Fund (TMF) reimbursement.

Transport for NSW also has a number of contractual and compulsory property acquisition disputes with an estimated contingent liability of \$7.0 million (2015: \$20.8 million).

### (iii) Letter of Comfort

Transport for NSW provided a letter of comfort to Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability during the 2016-17 financial year. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to Government.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 25. Budget Review of the parent entity and Transport for NSW

The budget review relates to the Department of Transport, Transport for NSW and the Transport Service as the financial performance of these entities is aggregated for Treasury reporting purposes, including for the State Budget.

The budget amounts for the statement of comprehensive income, statement of financial position and statement of cash flows included in this note are drawn from the original budget financial statements presented to Parliament in respect of the reporting period.

### Department of Transport, Transport for NSW and Transport Service of New South Wales Combined statement of comprehensive income for the year ended 30 June 2016

	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>Expenses excluding losses</b>			
Operating expenses			
Employee related expenses	1,875,097	1,712,547	1,756,802
Other operating expenses	487,093	2,376,696	344,443
Major rail project expense	1,597,084	-	-
Maintenance	109,229	-	92,034
Depreciation and amortisation	276,696	267,305	192,629
Grants and subsidies	7,870,214	9,553,259	9,026,135
Finance costs	87,858	97,890	84,306
Other expenses	1,214,424	25,753	1,307,070
<b>Total expenses excluding losses</b>	<b>13,517,695</b>	<b>14,033,450</b>	<b>12,803,419</b>
<b>Revenue</b>			
Recurrent appropriation	9,283,712	9,912,223	8,592,327
Capital appropriation	784,134	784,134	2,572,766
Sale of goods and services	1,726,110	3,444,217	1,605,276
Investment revenue	10,366	4,784	18,590
Retained taxes, fees and fines	1,435	2,364	2,222
Grants and contributions	1,197,760	376,944	506,525
Acceptance by the Crown Entity of employee benefits and other liabilities	88,484	29,966	37,429
Major rail project revenue	1,597,084	-	-
<b>Total revenue</b>	<b>14,689,085</b>	<b>14,554,632</b>	<b>13,335,135</b>
<b>Gain / (loss) on disposal</b>	<b>(14,334)</b>	<b>-</b>	<b>(1,763)</b>
<b>Other gains / (losses)</b>	<b>(163,898)</b>	<b>-</b>	<b>(59,128)</b>
<b>Net result</b>	<b>993,158</b>	<b>521,182</b>	<b>470,825</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 25. Budget Review of the parent entity and Transport for NSW (cont'd)

### Department of Transport, Transport for NSW and Transport Service of New South Wales Combined statement of financial position as at 30 June 2016

	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1,012,100	460,267	706,090
Receivables	446,491	583,253	592,705
Inventories	-	1,305	1,185
Financial assets at fair value	50	119	63
Non-current assets held for sale	10,093	-	16,093
<b>Total current assets</b>	<b>1,468,734</b>	<b>1,044,944</b>	<b>1,316,136</b>
<b>Non-current assets</b>			
Receivables	244,816	1,373,889	1,411,088
Financial assets at fair value	22	-	12
Other financial assets	475	769	552
Property, plant and equipment	4,960,438	5,135,106	4,244,004
Intangible assets	694,310	668,996	720,169
Other assets	542,068	-	119
<b>Total non-current assets</b>	<b>6,442,129</b>	<b>7,178,760</b>	<b>6,375,944</b>
<b>Total assets</b>	<b>7,910,863</b>	<b>8,223,704</b>	<b>7,692,080</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1,233,995	828,354	792,584
Borrowings	154,300	84,499	146,593
Employee benefits	283,539	412,060	419,738
Other provisions	1,509	536	71
Other liabilities	105,482	-	61,154
Financial liabilities at fair value	1,589	2,831	2,607
<b>Total current liabilities</b>	<b>1,780,414</b>	<b>1,328,280</b>	<b>1,422,747</b>
<b>Non-current liabilities</b>			
Borrowings	1,426,206	1,518,400	1,302,832
Employee benefits	244,816	1,361,749	1,411,087
Other provisions	7,627	-	9,687
Other liabilities	128,853	45	38,586
Financial liabilities at fair value	528	55	74
<b>Total non-current liabilities</b>	<b>1,808,030</b>	<b>2,880,249</b>	<b>2,762,266</b>
<b>Total liabilities</b>	<b>3,588,444</b>	<b>4,208,529</b>	<b>4,185,013</b>
<b>Net assets</b>	<b>4,322,419</b>	<b>4,015,175</b>	<b>3,507,067</b>
<b>EQUITY</b>			
Reserves	172,617	121,904	-
Accumulated funds	4,149,802	3,893,271	3,507,067
<b>Total equity</b>	<b>4,322,419</b>	<b>4,015,175</b>	<b>3,507,067</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 25. Budget Review of the parent entity and Transport for NSW (cont'd)

### Department of Transport, Transport for NSW and Transport Service of New South Wales Combined statement of cash flows for the year ended 30 June 2016

	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>Cash flow from operating activities</b>			
<b>Payments</b>			
Employee related	(1,708,610)	(1,677,519)	(1,687,365)
Grants and subsidies	(7,806,560)	(9,523,520)	(7,126,811)
Finance costs	(87,858)	(97,890)	(84,306)
Other	(4,910,027)	(2,512,252)	(2,893,178)
<b>Total payments</b>	<b>(14,513,055)</b>	<b>(13,811,181)</b>	<b>(11,791,660)</b>
<b>Receipts</b>			
Recurrent appropriation	9,283,712	9,912,223	8,592,327
Capital appropriation (excluding equity appropriations)	784,134	784,134	2,572,766
Cash transferred to the consolidated Fund	-	-	(5,155)
Sale of goods and services including GST refunds	3,996,211	3,445,390	2,043,713
Grants and contributions	1,246,076	376,944	525,831
Retained taxes, fees and fines	1,435	-	2,222
Interest received	13,164	4,784	19,967
Other	1,100,195	91,146	750,494
<b>Total receipts</b>	<b>16,424,927</b>	<b>14,614,621</b>	<b>14,502,165</b>
<b>Net cash inflows from operating activities</b>	<b>1,911,872</b>	<b>803,440</b>	<b>2,710,505</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	22,741	-	1,104
Purchases of property, plant and equipment and intangible assets	(1,492,291)	(874,342)	(2,917,122)
Proceeds from sale of investments	-	9,620	-
Other	77	(64,148)	45
<b>Net cash outflows from investing activities</b>	<b>(1,469,473)</b>	<b>(928,870)</b>	<b>(2,915,973)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and advances	-	50,256	91,050
Repayment of borrowings, finance leases and advances	(136,389)	(147,200)	-
<b>Net cash inflows from financing activities</b>	<b>(136,389)</b>	<b>(96,944)</b>	<b>91,050</b>
<b>Net (decrease)/increase in cash</b>	<b>306,010</b>	<b>(222,374)</b>	<b>(114,418)</b>
Opening cash and cash equivalents	706,090	682,640	820,508
<b>Closing cash balance</b>	<b>1,012,100</b>	<b>460,266</b>	<b>706,090</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 25. Budget Review of the parent entity and Transport for NSW (cont'd)

An explanation of significant variations between the actual and budget in the reporting period is provided below.

### Net result

2016 \$m			Explanation
Actual	Budget	Variance	
Summary – net result			
993.2	521.2	472.0	Improvement on the Budget. This was mainly due to the \$669.0 million Restart NSW grant received for the Sydney Metro City and Southwest project.
Significant variances by line item			
Major rail project expense			
1,597.1	-	1,597.1	Major rail project expenses reported separately but included predominantly in the other operating expenses in the Budget.
Grants and subsidies			
7,870.2	9,553.3	(1,683.1)	Transport service contract costs in respect of bus, ferry and light rail services form part of other expenses, however budgeted as grants and subsidies.
Other operating expenses			
487.1	2,376.7	(1,889.6)	As per the above comment with respect to major rail projects.
Other expenses			
1,214.4	25.8	1,188.6	As per the above comment with respect to the classification difference for transport service contract costs between budget and actual.
Recurrent appropriation			
9,283.7	9,912.2	(628.5)	Decrease mainly relates to underspends on Westconnex and other capital projects where the funding is carried forward to 2016-17.
Sales of goods and services			
1,726.1	3,444.2	(1,718.1)	Major rail project revenue reported separately but included in 'sale of goods and services' in the budget.
Grants and contributions			
1,197.8	376.9	820.9	Improvement on Budget mainly due to Restart NSW grants for Sydney Metro City and Southwest project and for RMS capital works.
Major rail project revenue			
1,597.1	-	1,597.1	Major rail project revenue reported separately but included in 'sale of goods and services' in the budget.

### Assets and liabilities

2016 \$m			Explanation
Actual	Budget	Variance	
Summary – net asset			
4,322.4	4,015.2	307.2	Improvement on Budget is due to asset additions, primarily relating to Sydney Metro City and Southwest project, and an increase in cash due to additional Restart funding received. Offset by equity transfer to RailCorp for Sydney Metro Northwest project and additional capital accruals relating to the Sydney Metro City and Southwest project.
Significant variances by line item			
Cash and cash equivalents			
1,012.1	460.3	551.8	Improvement due to Restart NSW funds received in June relating to capital accruals together with increased Opal funds not included in the budget.
Receivables			
691.3	1,957.1	(1,265.8)	Decrease mainly due to reduced personnel services receivable in relation to long service leave provision and define benefit superannuation for the RMS employment group, which were assumed by the Crown from 1 July 2015.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 25. Budget Review of the parent entity and Transport for NSW (cont'd)

### Assets and liabilities (Cont'd)

2016 \$m			Explanation
Actual	Budget	Variance	
Other assets			
542.1	-	542.1	Increase mainly relates to the PPPs contract entered into for the Sydney Light Rail and Sydney Metro Northwest whereby expenditure incurred are recognised as prepaid assets until the end of the construction phases.
Payables			
1,234.0	828.4	405.6	Increase mainly relates to capital accrual for Sydney Metro City and Southwest project and Northwest state capital contribution.
Employee benefits			
528.4	1,773.8	(1,245.4)	As per the above comments with respect to long service leave provision and define benefit superannuation for the RMS employment group.

### Cash flows

2016 \$m			Explanation
Actual	Budget	Variance	
Summary – closing cash			
1,012.1	460.3	551.8	As per the above comments with respect to Restart NSW funds received in June and Opal funds not included in the Budget.
Significant variances by line item			
Operating activities			
1,911.9	803.4	1,108.5	The increase is mainly due to the additional Restart NSW funding received for the Sydney Metro City and Southwest project and RMS capital works.
Investing activities			
(1,469.5)	(928.9)	(540.6)	The increase is mainly due to capital expenditure incurred for the Sydney Metro City and Southwest project.
Financing activities			
(136.4)	(96.9)	(39.5)	TCorp borrowings budgeted for 2015-16 rolled over to 2016-17.

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Net cash inflows from operating activities</b>	6,073,263	6,596,841	(626)	(16,157)
Acceptance by the Crown Entity of employee benefits and other liabilities	88,484	37,532	3	(102)
Depreciation and amortisation	(3,007,230)	(2,839,267)	-	-
Non-cash revenue and (expenses)	216,100	312,234	(3)	102
Derecognition, impairment and write off assets	(131,294)	(184,370)	-	-
Roads and bridges transferred from / (to) councils	(95,168)	(1,747)	-	-
Revaluation decrement of assets	(196,063)	-	-	-
Net gain / (loss) on sale of assets held for sale	(23,031)	(30,300)	-	-
Impairment of receivables / written off	(2,777)	(760)	-	-
Increase / (decrease) in receivables, inventories and other assets	67,076	231,386	82	(758)
(Increase) / decrease in payables and provisions	2,907	(293,234)	544	16,915
Net gain / (loss) on sale of property, plant and equipment	(58,401)	(207,591)	-	-
<b>Net result</b>	<b>2,933,866</b>	<b>3,620,724</b>	<b>-</b>	<b>-</b>

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Non-cash investing activities</b>				
Assets free of charge	-	8,523	-	-
Assets recognised for the first time (note 3(e))	37,896	198,452	-	-
Acquisition of assets free of charge (transactions with owners as owners)	323	47,600	-	-
Land and buildings transferred to other NSW government agencies	-	(81,785)	-	-
Plant and equipment acquired by finance lease (note 13)	233,994	85,149	-	-
Recognition of Epping Chatswood Rail Link improvement liabilities	41,667	18,941	-	-
Roads transferred from councils	543	110	-	-
Roads transferred to councils (note 2(e))	(95,711)	(1,857)	-	-
Value of emerging interests in Private Sector Provided Infrastructure (note 3(e))	226,808	205,927	-	-
Assets impairment (note 5)	(131,294)	(173,886)	-	-
Assets written down	(1,989)	(53,246)	-	-
Writeback of debt forgiven	-	5,552	-	-
Long service leave and defined benefit superannuation liabilities assumed by the Crown	-	-	-	-
Transfer from administrative restructure - others	-	78	-	-
<b>Non-cash financing activities</b>				
Financial lease liabilities in respect of the acquisition of property, plant and equipment	(233,994)	(85,149)	-	-
Borrowings transferred from a non transport entity	-	-	-	-
M2 and Eastern Distributor promissory notes	5,125	(5,986)	-	-
NSW Treasury Corporation borrowings transferred to the Crown	-	622,665	-	-
	<b>83,368</b>	<b>791,088</b>	-	-

### 28. Administered assets and liabilities

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
<b>Administered assets</b>				
Cash	31,084	33,310	-	-
<b>Total administered assets</b>	<b>31,084</b>	<b>33,310</b>	-	-
<b>Administered liabilities</b>				
Payables	251,252	353,466	-	-
<b>Total administered liabilities</b>	<b>251,252</b>	<b>353,466</b>	-	-

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial Instruments

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

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

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

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

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

### (a) Financial instrument categories

<b>Financial assets</b>			<b>Carrying amount</b>	<b>Carrying amount</b>
			<b>2016</b>	<b>2015</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated</b>	<b>Note</b>	<b>Category</b>		
<b>Class:</b>				
Cash and cash equivalents	7	N/A	2,756,042	1,814,689
Receivables <sup>1</sup>	8	Loans and receivables (at amortised cost)	253,500	274,805
Financial assets at fair value	10	At fair value through profit or loss designated upon initial recognition	97,518	63,597
Other financial assets	12	Loans and receivables (at amortised cost)	373,304	521,387
Financial assets at fair value	10	Fair value through profit or loss	8,230	2,382
			<b>3,488,594</b>	<b>2,676,860</b>
<b>Financial liabilities</b>				
			<b>Carrying amount</b>	<b>Carrying amount</b>
			<b>2016</b>	<b>2015</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated</b>	<b>Note</b>	<b>Category</b>		
<b>Class:</b>				
Payables <sup>2</sup>	17, 21	Financial liabilities measured at amortised cost	2,756,095	2,338,153
Borrowings	18	Financial liabilities measured at amortised cost	6,129,472	5,099,190
Financial liabilities at fair value	22	Fair value through profit or loss	8,069	7,280
			<b>8,893,636</b>	<b>7,444,623</b>

1. Excludes statutory receivables and prepayments (ie not within scope of AASB 7).

2. Excludes statutory payables and unearned revenue (ie not within scope of AASB 7).

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial instruments (cont'd)

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

<b>Financial assets</b>			<b>Carrying amount</b>	<b>Carrying amount</b>
<b>Parent</b>	<b>Note</b>	<b>Category</b>	<b>2016</b>	<b>2015</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Class:</b>				
Cash and cash equivalents	7	N/A	304	930
Receivables <sup>1</sup>	8	Loans and receivables (at amortised cost)	81	-
			<b>385</b>	<b>930</b>
<b>Financial liabilities</b>			<b>Carrying amount</b>	<b>Carrying amount</b>
<b>Parent</b>	<b>Note</b>	<b>Category</b>	<b>2016</b>	<b>2015</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Class:</b>				
Payables <sup>2</sup>	17	Financial liabilities measured at amortised cost	270	725
			<b>270</b>	<b>725</b>

1. Excludes statutory receivables and prepayments (ie not within scope of AASB 7).

2. Excludes statutory payables and unearned revenue (ie not within scope of AASB 7).

### (b) Derivatives

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

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

All forward foreign exchange and commodity swap contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 139 Financial Instruments. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

The Department held \$8.2 million (2015: \$2.4 million) in derivative financial assets and \$8.1 million (2015: \$7.3 million) in derivative financial liabilities.

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.

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Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial instruments (cont'd)

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

Consolidated	Expected cash flow					
	Weighted average exchange rate	Contract Value \$'000	No Later than 3 months \$'000	Later than 3 months and no later than 12 months \$'000	Later than 12 months \$'000	Total \$'000
<b>2016</b>						
<b>Foreign exchange contracts</b>						
Denominated in US Dollars	0.7646	3,592	3,592	-	-	3,592
	0.7198	41,308	-	41,308	-	41,308
	0.7146	10,722	-	-	10,722	10,722
Denominated in Euros	0.6549	1,623	-	1,623	-	1,623
	0.6430	31,406	-	31,406	-	31,406
	0.6546	31,264	12,999	5,458	12,807	31,264
Denominated in Pounds Sterling	0.4488	29	29	-	-	29
Denominated in Japanese Yen	85.1500	44,948	-	44,948	-	44,948
		<b>164,892</b>	<b>16,620</b>	<b>124,743</b>	<b>23,529</b>	<b>164,892</b>
<b>Commodity hedge contracts</b>						
Favourable		7,801	-	4,508	3,293	7,801
Non-favourable		15,159	3,657	4,608	6,894	15,159
		<b>22,960</b>	<b>3,657</b>	<b>9,116</b>	<b>10,187</b>	<b>22,960</b>
<b>2015</b>						
<b>Foreign exchange contracts</b>						
Denominated in US Dollars	0.9008	4,585	4,585	-	-	4,585
	0.8004	11,198	-	11,198	-	11,198
	0.8054	8,014	-	-	8,014	8,014
Denominated in Euros	0.6868	33,778	31,235	618	1,925	33,778
	0.6772	866	-	866	-	866
Denominated in Pounds Sterling	0.5309	2,329	2,329	-	-	2,329
		<b>60,770</b>	<b>38,149</b>	<b>12,682</b>	<b>9,939</b>	<b>60,770</b>
<b>Commodity hedge contracts</b>						
Favourable		4,743	-	1,543	3,200	4,743
Non-favourable		20,985	5,341	10,239	5,405	20,985
		<b>25,728</b>	<b>5,341</b>	<b>11,782</b>	<b>8,605</b>	<b>25,728</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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## 29. Financial instruments (cont'd)

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

All derivatives are measured at fair value. Information about the exposure to credit risk, foreign exchange risk, commodity risk the methods and assumptions used in determining fair values of derivatives is provided in note 29(e). Further details on derivatives are provided in notes 10 and 22.

### (c) Credit risk

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

Credit risk can arise from financial assets of the Department, including cash and cash equivalents, derivative financial instruments, deposits with banks and NSW TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions. The Department holds bank guarantees for significant customers as well as property bonds for some leased premises. The Department has not granted any financial guarantees.

Credit risk policy is aimed at minimising the potential for counter party default.

Credit risk associated with the Department's financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. All debt management and investment activities are undertaken with NSW TCorp, which is guaranteed by the NSW Government.

Credit risk impacts on the following financial instruments which are discussed below:

#### Cash

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

#### Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. 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. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Department will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are generally made on 30 day terms.

The Department is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due \$20.6 million (2015: \$48.6 million); parent entity nil (2015: nil) and not more than 3 months overdue \$21.4 million (2015: \$50.6 million); parent entity nil (2015: nil) are not considered impaired. These debtors represent 73.7% (2015: 85.2%) of the total trade debtors.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial instruments (cont'd)

### (c) Credit risk (cont'd)

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

Consolidated	Total \$'000	Past due but not impaired \$'000	Considered impaired \$'000
<b>2016</b>			
< 3 months overdue	21,805	21,404	401
3 months - 6 months overdue	2,715	2,073	642
> 6 months overdue	11,825	5,497	6,328
	<b>36,345</b>	<b>28,974</b>	<b>7,371</b>
<b>2015</b>			
< 3 months overdue	51,937	50,560	1,377
3 months - 6 months overdue	2,183	1,607	576
> 6 months overdue	13,817	5,893	7,924
	<b>67,937</b>	<b>58,060</b>	<b>9,877</b>

#### Notes

<sup>1</sup> Each column in the table reports "gross receivables".

<sup>2</sup> The aging analysis excludes receivables that are not past due and not impaired. Therefore the total will not reconcile to the receivables total recognised in the Statement of Financial Position.

<sup>3</sup> There is no credit risk in parent entity.

#### Derivatives

Transport for NSW and Sydney Trains have undertaken both forward exchange currency swaps and commodity swaps. The risks associated with these arrangements are mitigated by only entering into arrangements with reputable, well established financial institutions with high level credit ratings.

#### Other financial assets

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

### (d) Liquidity risk

Liquidity Risk is the risk that the Department will be unable to meet its payment obligations when they fall due. The Department continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances. The Department has access to credit facilities with NSW TCorp of \$3,674.2 million (2015: \$2,569.0 million) of which \$2,974.2 million (2015: \$2,092.4 million) had been used at reporting date.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

#### (d) Liquidity risk (cont'd)

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

#### Maturity analysis and interest rate exposure of financial liabilities

Consolidated	Weighted average effective interest Rate	Nominal amount <sup>(1)</sup> \$'000	Interest rate exposure			Maturity dates		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- interest bearing \$'000	< 1 yr \$'000	1-5 yrs \$'000	> 5 yrs \$'000
<b>2016</b>								
<b>Payables:</b>								
Trade creditors and accruals		2,756,095	-	-	2,756,095	2,606,152	141,931	8,012
<b>Borrowings:</b>								
NSW TCorp borrowings and finance leases	3.60	6,129,472	3,734,938	2,394,534	-	974,432	1,672,629	3,482,411
<b>Financial liabilities at fair value:</b>								
Derivative financial instruments		8,069	-	-	8,069	5,983	2,086	-
		<b>8,893,636</b>	<b>3,734,938</b>	<b>2,394,534</b>	<b>2,764,164</b>	<b>3,586,567</b>	<b>1,816,646</b>	<b>3,490,423</b>
<b>2015</b>								
<b>Payables:</b>								
Trade creditors and accruals		2,338,153	-	-	2,338,153	2,312,148	13,361	12,644
<b>Borrowings:</b>								
NSW TCorp borrowings and finance leases	3.25	5,099,191	2,170,180	2,312,148	-	674,611	1,262,100	3,162,479
<b>Financial liabilities at fair value:</b>								
Derivative financial instruments		7,280	-	-	7,280	6,173	1,107	-
		<b>7,444,624</b>	<b>2,170,180</b>	<b>2,929,011</b>	<b>2,345,433</b>	<b>2,992,932</b>	<b>1,276,568</b>	<b>3,175,123</b>

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

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

#### (d) Liquidity risk (cont'd)

Parent	Weighted average effective interest Rate	Nominal amount (1) \$'000	Interest rate exposure			Maturity dates		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- interest bearing \$'000	< 1 yr \$'000	1-5 yrs \$'000	> 5 yrs \$'000
<b>2016</b>								
<b>Payables:</b>								
Trade creditors and accruals	-	270	-	-	270	270	-	-
<b>Borrowings:</b>								
NSW TCorp borrowings and finance leases	-	-	-	-	-	-	-	-
		<b>270</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>270</b>	<b>-</b>	<b>-</b>
<b>2015</b>								
<b>Payables:</b>								
Trade creditors and accruals	-	725	-	-	725	725	-	-
<b>Borrowings:</b>								
NSW TCorp borrowings and finance leases	-	-	-	-	-	-	-	-
		<b>725</b>	<b>-</b>	<b>-</b>	<b>725</b>	<b>725</b>	<b>-</b>	<b>-</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial instruments (cont'd)

### (e) Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. This applies to the Department's foreign exchange, interest rate and commodity price hedging instruments.

Sensitivity analysis on market risk is based on a reasonably possible price variability taking into account the economic environment in which the Department's operates and the time frame for assessment, that is, until the end of the next reporting period. The sensitivity analysis is based on financial instruments held at the balance date. The analysis assumes that all other variables remain constant.

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

The Department is exposed to market risks in respect of:

### (i) Interest rate risk

Exposure to interest rate risk arises primarily through the Department's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW Treasury Corporation (NSW TCorp).

The Department's exposure to interest rate risk is set out in the table below.

	Carrying amount \$'000	Impact of 1% decrease Net result \$'000	Equity \$'000	Impact of 1% increase Net result \$'000	Equity \$'000
<b>Consolidated</b>					
<b>2016</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	2,756,042	(26,888)	(26,888)	26,888	26,888
Receivables	253,500	-	-	-	-
Financial assets at fair value	105,748	(975)	(975)	975	975
Other financial assets	373,304	-	-	-	-
<i>Financial Liabilities</i>					
Payables	(2,756,095)	-	-	-	-
Borrowings	(6,129,472)	23,945	23,945	(23,945)	(23,945)
Financial liabilities at fair value	(8,069)	-	-	-	-
<b>Net financial liabilities</b>	<b>(5,405,042)</b>	<b>(3,918)</b>	<b>(3,918)</b>	<b>3,918</b>	<b>3,918</b>
<b>2015</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	1,814,689	(17,699)	(17,699)	17,699	17,699
Receivables	274,805	-	-	-	-
Financial assets at fair value	65,979	(636)	(636)	636	636
Other financial assets	521,387	-	-	-	-
<i>Financial Liabilities</i>					
Payables	(2,338,153)	-	-	-	-
Borrowings	(5,099,190)	24,060	24,060	(24,060)	(24,060)
Financial liabilities at fair value	(7,280)	-	-	-	-
<b>Net financial liabilities</b>	<b>(4,767,763)</b>	<b>5,725</b>	<b>5,725</b>	<b>(5,725)</b>	<b>(5,725)</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial instruments (cont'd)

### (e) Market risk (cont'd)

#### (i) Interest rate risk (cont'd)

	Carrying amount \$'000	Impact of 1% decrease		Impact of 1% increase	
		Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>Parent</b>					
<b>2016</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	304	(3)	(3)	3	3
<i>Financial Liabilities</i>					
Payables	(270)	-	-	-	-
<b>Net financial assets</b>	<b>34</b>	<b>(3)</b>	<b>(3)</b>	<b>3</b>	<b>3</b>
<b>2015</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	930	(9)	(9)	9	9
<i>Financial Liabilities</i>					
Payables	(725)	-	-	-	-
<b>Net financial assets</b>	<b>205</b>	<b>(9)</b>	<b>(9)</b>	<b>9</b>	<b>9</b>

#### (ii) Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Department manages its foreign exchange risk by entering into forward exchange contracts in accordance with each controlled entities' risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily dominated in Euros, US dollars, Pound Sterling and Japanese Yen, 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 Department'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.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial instruments (cont'd)

### (e) Market risk (cont'd)

#### (ii) Foreign rate risk (cont'd)

Consolidated	10%			-10%	
	Contract value \$'000	Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>2016</b>					
US Dollars	55,622	-	5,562	-	(5,562)
Euros	64,293	-	6,429	-	(6,429)
Pound Sterling	29	-	3	-	(3)
Japanese Yen	44,948	-	4,495	-	(4,495)
	<b>164,892</b>	<b>-</b>	<b>16,489</b>	<b>-</b>	<b>(16,489)</b>
<b>2015</b>					
US Dollars	23,797	-	2,380	-	(2,380)
Euros	34,644	-	3,465	-	(3,465)
Pound Sterling	2,329	-	233	-	(233)
Japanese Yen	-	-	-	-	-
	<b>60,770</b>	<b>-</b>	<b>6,078</b>	<b>-</b>	<b>(6,078)</b>

There is no foreign rate risk in parent entity.

#### (iii) Commodity price risk

The Department is exposed to a range of commodity price risks, principally from distillate and electricity purchases.

Australian dollar costs under the supply agreements price mechanism for distillate are reflective of movements in Singapore Gas Oil prices and AUD/USD exchange rates. The Department hedges its distillate exposure by entering into Singapore Gas Oil swap and US Dollar forward contracts.

These commodity swap contracts are designated as cash flow hedges. The Department'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 Singapore Gas Oil spot price has been selected for use in the sensitivity analysis at the reporting date.

Consolidated	10%			-10%	
	Contract value \$'000	Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>2016</b>					
Distillate	22,960	-	2,296	-	(2,296)
	<b>22,960</b>	<b>-</b>	<b>2,296</b>	<b>-</b>	<b>(2,296)</b>
<b>2015</b>					
Distillate	25,728	-	2,573	-	(2,573)
	<b>25,728</b>	<b>-</b>	<b>2,573</b>	<b>-</b>	<b>(2,573)</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial instruments (cont'd)

### (e) Market risk (cont'd)

#### (iv) Other price risk – TCorp Hour-Glass facilities

Exposure to other price risk primarily arises through the investment in the NSW TCorp Hour-Glass Investment facilities which are held for strategic rather than trading purposes. The Department has no direct equity investments and holds units in the following Hour-Glass Investment Trusts:

Facility	Investment sectors	Investment horizon	2016 \$'000	2015 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	938	228,699
Strategic Cash facility	Cash, money market and other interest rates instruments	1.5 years to 3 years	-	5,452
Medium term growth facility	Cash, money market instruments, Australian bonds, listed property, and Australian and International shares	3 years to 7 years	68,897	41,174
Long term growth facility	Cash, money market instruments, Australian bonds, listed property, and Australian and International shares	7 years and over	28,621	16,971

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

NSW TCorp is the trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, NSW TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, NSW TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information. The NSW TCorp Hour-Glass Investment facilities are designated at fair value through profit and loss and, therefore, any change in unit price impacts directly on net result (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by NSW TCorp) multiplied by the redemption value as at 30 June each year.

The impact on the net result as a result of changes in the unit prices of the investments is not considered to be material.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial instruments (cont'd)

### (f) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities and derivatives, which are measured at fair value.

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, with the exception of TCorp borrowings.

The following table details the financial instruments where the fair value differs from the carrying amount:

<b>Consolidated</b>	<b>2016 Carrying amount \$'000</b>	<b>2016 Fair value \$'000</b>	<b>Fair value level</b>
<b>Financial liabilities</b>			
Borrowings	2,974,235	3,100,294	2
	<b>2,974,235</b>	<b>3,100,294</b>	

<b>Consolidated</b>	<b>2015 Carrying amount \$'000</b>	<b>2015 Fair value \$'000</b>	<b>Fair value level</b>
<b>Financial liabilities</b>			
Borrowings	2,092,372	2,154,937	2
	<b>2,092,372</b>	<b>2,154,937</b>	

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 29. Financial instruments (cont'd)

### (g) Fair value hierarchy

Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2016</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	8,230	-	8,230
NSW TCorp Hour-Glass Facility	-	97,518	-	97,518
	-	<b>105,748</b>	-	<b>105,748</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	8,069	-	8,069
Borrowing	-	3,100,294	-	3,100,294
	-	<b>3,108,363</b>	-	<b>3,108,363</b>
<b>30 June 2015</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	2,382	-	2,382
NSW TCorp Hour-Glass Facility	-	292,296	-	292,296
	-	<b>294,678</b>	-	<b>294,678</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	7,280	-	7,280
Borrowing	-	2,154,937	-	2,154,937
	-	<b>2,162,217</b>	-	<b>2,162,217</b>

The Department 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 Department has assessed the fair value of its financial instruments on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

The fair value of the TCorp Hour-Glass Investments is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using redemption pricing.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

The fair value of commodity swap contracts is determined using market prices at the reporting date.

There were no transfers between Level 1, 2 or 3 during the year.

There were no changes in the valuation techniques during the year.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2016

## 30. Equity transfers

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Borrowings transferred to the Crown Entity (a)	-	622,665	-	-
Net equity transfer for property, plant and equipment (note 13) (b)	(93)	(33,719)	-	-
Superannuation assumed by the Crown Entity (c)	1,191,448	-	-	-
Long service leave assumed by the Crown (c)	164,905	-	-	-
Other	(1,652)	(45)	-	-
Intangibles (note 14)	-	682	-	-
Transfer from administrative restructure - others	-	(78)	-	-
	<b>1,354,608</b>	<b>589,505</b>	-	-

- (a) Borrowing transferred to the Crown in 2014-15 related to the TCard project (2015:\$116.3 million) and RMS (2015: \$506.4 million).
- (b) Property, plant & equipment transfers in 2014-15:
- \$81.7 million in motor registries related assets transferred from RMS to other government agencies;
  - \$47.6 million in land transferred to Transport for NSW from the Department of Planning & Environment; and
  - \$0.4 million in Port Botany Landslide Improvement Strategy assets transferred from Sydney Port Corporation to Transport for NSW.
- (c) Long service leave and superannuation assumed by the Crown Entity in respect to the former Roads and Maritime Services award staff in 2015-16.

## 31. After balance date events

The Government has recently announced a \$2.3 billion contract for the build and maintenance of new intercity rolling stock. The contract for more than 500 carriages is for delivery from 2019. As the new intercity rolling stock is delivered, existing rolling stock will be progressively replaced with no impact on their current carrying values and minimal financial impact when retired.

RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE). TAHE is a dedicated asset manager which may eventually hold all the public transport assets for the State transferred progressively over the next few years.

### End of Audited Financial Statements



## INDEPENDENT AUDITOR'S REPORT

### Transport for NSW

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Transport for NSW (TfNSW), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows, service group statements and a summary of compliance with financial directives 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 TfNSW as at 30 June 2016, 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 those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of TfNSW in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

## **The Secretary's Responsibility for the Financial Statements**

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

In preparing the financial statements, the Secretary must assess TfNSW's ability to continue as a going concern unless TfNSW will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that TfNSW 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.



Margaret Crawford  
Auditor-General of NSW

29 September 2016  
SYDNEY



# **Transport for NSW**

Annual Financial Statements

*for the year ended 30 June 2016*

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**Transport for NSW**  
**Statement by the Secretary**  
for the year ended 30 June 2016

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Pursuant to sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I state that:

- (a) The accompanying financial statements have been prepared in accordance with:
- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
  - The requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
  - The Financial Reporting Directions published in the *Financial Reporting Code for NSW General Government Sector Entities* or issued by the Treasurer under section 9(2) (n) of the Act;
- (b) The statements exhibit a true and fair view of the financial position and financial performance of Transport for NSW; and
- (c) There are no known circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Tim Reardon  
**Secretary**

Date: 27 September 2016

**Transport for NSW**  
**Statement of comprehensive income**  
for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
Personnel related expenses	2(a)	476,460	1,712,547	432,101
Other operating expenses	2(b)	487,012	2,376,696	344,665
Major rail project expenses	2(c)	1,597,084	-	-
Maintenance	2(d)	109,229	-	92,031
Depreciation and amortisation	2(e)	276,696	267,305	192,629
Grants and subsidies	2(f)	7,870,498	9,553,259	9,026,430
Finance costs	2(g)	87,858	97,890	84,306
Other expenses	2(h)	1,297,828	25,753	1,307,072
<b>Total expenses excluding losses</b>		<b>12,202,665</b>	<b>14,033,450</b>	<b>11,479,234</b>
<b>Revenue</b>				
Recurrent appropriations	3(a)	9,283,712	9,912,223	8,592,327
Capital appropriations	3(b)	784,134	784,134	2,572,766
Sale of goods and services	3(c)	211,509	3,444,217	80,665
Investment revenue	3(d)	10,366	4,784	18,591
Shared and corporate services revenue	3(e)	214,852	-	208,137
Retained taxes, fees and fines	3(f)	1,435	2,364	2,222
Grants and contributions	3(g)	1,197,760	376,944	506,526
Major rail project revenue	3(h)	1,597,084	-	-
Resources received free of charge	3(i)	31,968	29,966	23,005
<b>Total revenue</b>		<b>13,332,820</b>	<b>14,554,632</b>	<b>12,004,239</b>
<b>Gain / (loss) on disposal</b>	4	(14,334)	-	(1,763)
<b>Other gains / (losses)</b>	5	(163,979)	-	(59,128)
<b>Net result</b>		<b>951,842</b>	<b>521,182</b>	<b>464,114</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to net result</i>				
Net gains in commodity swaps and foreign exchange		563	-	125
<i>Items that will not be reclassified to net result</i>				
Net increase in asset revaluation surplus	13	82,052	-	-
<b>Total other comprehensive income</b>		<b>82,615</b>	<b>-</b>	<b>125</b>
<b>Total comprehensive income</b>		<b>1,034,457</b>	<b>521,182</b>	<b>464,239</b>

The accompanying notes form part of these financial statements.

**Transport for NSW**  
**Statement of financial position**  
as at 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	1,004,470	460,267	688,251
Receivables	8	239,614	583,253	238,480
Inventories	9	-	1,305	1,186
Financial assets at fair value	10	50	119	63
Non-current assets held for sale	11	10,093	-	16,093
<b>Total current assets</b>		<b>1,254,227</b>	<b>1,044,944</b>	<b>944,073</b>
<b>Non-current assets</b>				
Receivables		-	1,373,889	-
Financial assets at fair value	10	22	-	12
Other financial assets	12	475	769	552
Property, plant and equipment				
Land and buildings	13	282,472	587,451	591,921
Infrastructure systems	13	3,205,393	1,174,179	2,453,078
Plant and equipment	13	1,472,573	3,373,476	1,199,004
Property, plant and equipment		4,960,438	5,135,106	4,244,003
Intangibles	14	694,310	668,996	720,169
Other assets	15	542,068	-	119
<b>Total non-current assets</b>		<b>6,197,313</b>	<b>7,178,760</b>	<b>4,964,855</b>
<b>Total assets</b>		<b>7,451,540</b>	<b>8,223,704</b>	<b>5,908,928</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	17	1,303,027	828,354	840,252
Borrowings	18	154,300	84,499	146,593
Provisions	19	1,509	412,060	71
Other liabilities	20	105,482	536	61,158
Financial liabilities at fair value	21	1,589	2,831	2,607
<b>Total current liabilities</b>		<b>1,565,907</b>	<b>1,328,280</b>	<b>1,050,681</b>
<b>Non-current liabilities</b>				
Borrowings	18	1,426,206	1,518,400	1,302,832
Provisions	19	7,627	1,361,749	9,687
Other liabilities	20	128,853	45	38,586
Financial liabilities at fair value	21	528	55	74
<b>Total non-current liabilities</b>		<b>1,563,214</b>	<b>2,880,249</b>	<b>1,351,179</b>
<b>Total liabilities</b>		<b>3,129,121</b>	<b>4,208,529</b>	<b>2,401,860</b>
<b>Net assets</b>		<b>4,322,419</b>	<b>4,015,175</b>	<b>3,507,068</b>
<b>EQUITY</b>				
Reserves		172,617	121,904	90,002
Accumulated funds		4,149,802	3,893,271	3,417,066
<b>Total equity</b>		<b>4,322,419</b>	<b>4,015,175</b>	<b>3,507,068</b>

The accompanying notes form part of these financial statements.

**Transport for NSW**  
**Statement of changes in equity**  
for the year ended 30 June 2016

	Notes	Accumulated funds \$'000	Asset revaluation surplus \$'000	Hedge reserve \$'000	Total equity \$'000
<b>Balance at 1 July 2015</b>		3,417,066	92,609	(2,607)	3,507,068
<b>Net result for the year</b>		<b>951,842</b>	-	-	<b>951,842</b>
<b>Other comprehensive income</b>					
Net increase in asset revaluation surplus	13	-	82,052	-	82,052
Net gains in commodity swaps and foreign exchange		-	-	563	563
<b>Total other comprehensive income</b>		-	<b>82,052</b>	<b>563</b>	<b>82,615</b>
<b>Total comprehensive income for the year</b>		<b>951,842</b>	<b>82,052</b>	<b>563</b>	<b>1,034,457</b>
<b>Transactions with owners in their capacity as owners</b>					
Equity transfers	25	(219,106)	-	-	(219,106)
<b>Balance at 30 June 2016</b>		<b>4,149,802</b>	<b>174,661</b>	<b>(2,044)</b>	<b>4,322,419</b>
<b>Balance at 1 July 2014</b>					
<b>Balance at 1 July 2014</b>		2,784,409	92,609	(2,732)	2,874,286
<b>Net result for the year</b>		<b>464,114</b>	-	-	<b>464,114</b>
<b>Other comprehensive income</b>					
Net gains in commodity swaps and foreign exchange		-	-	125	125
<b>Total other comprehensive income</b>		-	-	<b>125</b>	<b>125</b>
<b>Total comprehensive income for the year</b>		<b>464,114</b>	-	<b>125</b>	<b>464,239</b>
<b>Transactions with owners in their capacity as owners</b>					
Increase in net assets from administrative restructure	28	4,605	-	-	4,605
Equity transfers	25	163,938	-	-	163,938
<b>Balance at 30 June 2015</b>		<b>3,417,066</b>	<b>92,609</b>	<b>(2,607)</b>	<b>3,507,068</b>

The accompanying notes form part of these financial statements.

**Transport for NSW**  
**Statement of cash flows**  
for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Personnel services fees		(417,070)	(1,677,519)	(388,184)
Grants and subsidies		(7,806,844)	(9,523,520)	(7,127,106)
Finance costs		(87,858)	(97,890)	(84,306)
Bus, ferry and light rail contract payments		(1,281,381)	-	(1,284,339)
ETS payments to operators		(1,152,494)	-	(646,767)
Other		(2,559,217)	(2,512,252)	(961,970)
<b>Total payments</b>		<b>(13,304,864)</b>	<b>(13,811,181)</b>	<b>(10,492,672)</b>
<b>Receipts</b>				
Recurrent appropriations		9,283,712	9,912,223	8,592,327
Capital appropriations		784,134	784,134	2,572,766
Cash transferred to the Consolidated Fund		-	-	(5,155)
Sale of goods and services		2,714,018	3,445,390	784,204
Grants and contributions		1,246,360	376,944	526,126
Retained taxes, fees and fines		1,435	-	2,222
Interest received		13,164	4,784	19,967
ETS cardholder receipts		1,184,122	-	750,494
Other		-	91,146	-
<b>Total receipts</b>		<b>15,226,945</b>	<b>14,614,621</b>	<b>13,242,951</b>
<b>Net cash flows from operating activities</b>	22	<b>1,922,081</b>	<b>803,440</b>	<b>2,750,279</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of land and buildings		22,741	-	1,104
Purchases of land and buildings, plant and equipment and infrastructure systems		(1,492,291)	(874,342)	(2,847,217)
Proceeds from sale of investments		-	9,620	-
Other		77	(64,148)	45
<b>Net cash flows from investing activities</b>		<b>(1,469,473)</b>	<b>(928,870)</b>	<b>(2,846,068)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings and advances		-	50,256	91,050
Repayment of borrowings, finance leases and advances		(136,389)	(147,200)	(69,905)
<b>Net cash flows from financing activities</b>		<b>(136,389)</b>	<b>(96,944)</b>	<b>21,145</b>
<b>Net increase / (decrease) in cash</b>		<b>316,219</b>	<b>(222,374)</b>	<b>( 74,644)</b>
Opening cash and cash equivalents		688,251	682,640	762,895
<b>Closing cash and cash equivalents</b>	7	<b>1,004,470</b>	<b>460,266</b>	<b>688,251</b>

The accompanying notes form part of these financial statements.

## Transport for NSW Service group statements

for the year ended 30 June 2016

Expenses and income	Asset Maintenance		Services & Operations		Growth & Improvement		Not attributable		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Expenses excluding losses</b>										
Operating expenses										
Personnel related expenses	30,156	10,103	401,987	359,477	44,317	62,521	-	-	476,460	432,101
Other operating expenses	8,865	5,112	447,738	224,119	30,409	115,434	-	-	487,012	344,665
Major rail project expenses	-	-	-	-	1,597,084	-	-	-	1,597,084	-
Maintenance	109,229	91,829	-	202	-	-	-	-	109,229	92,031
Depreciation and amortisation	-	-	276,696	192,629	-	-	-	-	276,696	192,629
Grants and subsidies	459,602	489,384	2,628,288	2,501,176	4,782,608	6,035,870	-	-	7,870,498	9,026,430
Finance costs	-	-	70,748	67,956	17,110	16,350	-	-	87,858	84,306
Other expenses	144	-	1,297,466	1,290,943	218	16,129	-	-	1,297,828	1,307,072
<b>Total expenses excluding losses</b>	<b>607,996</b>	<b>596,428</b>	<b>5,122,923</b>	<b>4,636,502</b>	<b>6,471,746</b>	<b>6,246,304</b>	<b>-</b>	<b>-</b>	<b>12,202,665</b>	<b>11,479,234</b>
<b>Revenue</b>										
Recurrent appropriations	-	-	-	-	-	-	9,283,712	8,592,327	9,283,712	8,592,327
Capital appropriations	-	-	-	-	-	-	784,134	2,572,766	784,134	2,572,766
Sale of goods and services	22,693	3,843	183,187	76,804	5,629	18	-	-	211,509	80,665
Investment revenue	2	679	10,364	13,658	-	4,254	-	-	10,366	18,591
Shared and corporate services revenue	-	-	214,852	208,137	-	-	-	-	214,852	208,137
Retained taxes, fees and fines	-	-	1,435	2,222	-	-	-	-	1,435	2,222
Grants and contributions	-	-	100,875	169,976	1,096,885	336,550	-	-	1,197,760	506,526
Major rail project revenue	-	-	-	-	1,597,084	-	-	-	1,597,084	-
Resources received free of charge	-	-	31,968	23,005	-	-	-	-	31,968	23,005
<b>Total revenue</b>	<b>22,695</b>	<b>4,522</b>	<b>542,681</b>	<b>493,802</b>	<b>2,699,598</b>	<b>340,822</b>	<b>10,067,846</b>	<b>11,165,093</b>	<b>13,332,820</b>	<b>12,004,239</b>
<b>Gain / (loss) on disposal</b>	<b>-</b>	<b>-</b>	<b>218</b>	<b>(1,763)</b>	<b>(14,552)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,334)</b>	<b>(1,763)</b>
<b>Other gains / (losses)</b>	<b>-</b>	<b>-</b>	<b>(179,935)</b>	<b>(59,128)</b>	<b>15,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(163,979)</b>	<b>(59,128)</b>
<b>Net result</b>	<b>(585,301)</b>	<b>(591,906)</b>	<b>(4,759,959)</b>	<b>(4,203,591)</b>	<b>(3,770,744)</b>	<b>(5,905,482)</b>	<b>10,067,846</b>	<b>11,165,093</b>	<b>951,842</b>	<b>464,114</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>82,615</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,615</b>	<b>125</b>
<b>Total comprehensive income for the year</b>	<b>(585,301)</b>	<b>(591,906)</b>	<b>(4,677,344)</b>	<b>(4,203,466)</b>	<b>(3,770,744)</b>	<b>(5,905,482)</b>	<b>10,067,846</b>	<b>11,165,093</b>	<b>1,034,457</b>	<b>464,239</b>

The names and purposes of each service group are summarised in note 6.

Appropriations are made on an entity basis and not to individual service groups. Consequently appropriations are included in the "Not attributable" column.

**Transport for NSW**  
**Service group statements**

for the year ended 30 June 2016

Assets and liabilities	Asset Maintenance		Services & Operations		Growth & Improvement		Not attributable		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	86,370	34,873	893,949	481,499	24,151	171,879	-	-	1,004,470	688,251
Receivables	20,603	12,084	213,250	166,840	5,761	59,556	-	-	239,614	238,480
Inventories	-	-	-	1,186	-	-	-	-	-	1,186
Financial assets at fair value	-	-	50	63	-	-	-	-	50	63
Non-current assets held for sale	-	-	-	-	10,093	16,093	-	-	10,093	16,093
<b>Total current assets</b>	<b>106,973</b>	<b>46,957</b>	<b>1,107,249</b>	<b>649,588</b>	<b>40,005</b>	<b>247,528</b>	<b>-</b>	<b>-</b>	<b>1,254,227</b>	<b>944,073</b>
<b>Non-current assets</b>										
Financial assets at fair value	-	-	22	12	-	-	-	-	22	12
Other financial assets	-	-	475	552	-	-	-	-	475	552
Property, plant and equipment										
Land and buildings	-	-	263,420	314,057	19,052	277,864	-	-	282,472	591,921
Infrastructure systems	-	-	1,929,845	1,950,152	1,275,548	502,926	-	-	3,205,393	2,453,078
Plant and equipment	-	-	1,445,427	1,199,004	27,146	-	-	-	1,472,573	1,199,004
Property, plant and equipment	-	-	<b>3,638,692</b>	<b>3,463,213</b>	<b>1,321,746</b>	<b>780,790</b>	-	-	<b>4,960,438</b>	<b>4,244,003</b>
Intangibles	-	-	210,493	32,193	483,817	687,976	-	-	694,310	720,169
Other assets	-	-	-	119	542,068	-	-	-	542,068	119
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>3,849,682</b>	<b>3,496,089</b>	<b>2,347,631</b>	<b>1,468,766</b>	<b>-</b>	<b>-</b>	<b>6,197,313</b>	<b>4,964,855</b>
<b>Total assets</b>	<b>106,973</b>	<b>46,957</b>	<b>4,956,931</b>	<b>4,145,677</b>	<b>2,387,636</b>	<b>1,716,294</b>	<b>-</b>	<b>-</b>	<b>7,451,540</b>	<b>5,908,928</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Payables	55,266	10,644	811,832	575,400	435,929	254,208	-	-	1,303,027	840,252
Borrowings	-	-	124,126	78,094	30,174	68,499	-	-	154,300	146,593
Provisions	-	-	1,509	71	-	-	-	-	1,509	71
Other liabilities	-	2,149	105,482	57,944	-	1,065	-	-	105,482	61,158
Financial liabilities at fair value	-	-	1,589	2,607	-	-	-	-	1,589	2,607
<b>Total current liabilities</b>	<b>55,266</b>	<b>12,793</b>	<b>1,044,538</b>	<b>714,116</b>	<b>466,103</b>	<b>323,772</b>	<b>-</b>	<b>-</b>	<b>1,565,907</b>	<b>1,050,681</b>
<b>Non-current liabilities</b>										
Borrowings	-	-	1,086,546	951,795	339,660	351,037	-	-	1,426,206	1,302,832
Provisions	-	-	7,627	9,687	-	-	-	-	7,627	9,687
Other liabilities	-	-	-	-	128,853	38,586	-	-	128,853	38,586
Financial liabilities at fair value	-	-	528	74	-	-	-	-	528	74
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>1,094,701</b>	<b>961,556</b>	<b>468,513</b>	<b>389,623</b>	<b>-</b>	<b>-</b>	<b>1,563,214</b>	<b>1,351,179</b>
<b>Total liabilities</b>	<b>55,266</b>	<b>12,793</b>	<b>2,139,239</b>	<b>1,675,672</b>	<b>934,616</b>	<b>713,395</b>	<b>-</b>	<b>-</b>	<b>3,129,121</b>	<b>2,401,860</b>
<b>Net assets</b>	<b>51,707</b>	<b>34,164</b>	<b>2,817,692</b>	<b>2,470,005</b>	<b>1,453,020</b>	<b>1,002,899</b>	<b>-</b>	<b>-</b>	<b>4,322,419</b>	<b>3,507,068</b>

The names and purposes of each service group are summarised in note 6.

## Transport for NSW Service group statements

for the year ended 30 June 2016

Administered expenses and income	Asset Maintenance		Services & Operations		Growth & Improvement		Not attributable		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Administered expenses</b>										
Transfer of taxes, fees and fines to the Crown Entity	-	-	-	-	-	-	23,085	35,665	23,085	35,665
<b>Total administered expenses</b>	-	-	-	-	-	-	<b>23,085</b>	<b>35,665</b>	<b>23,085</b>	<b>35,665</b>
<b>Administered income</b>										
Consolidated Fund taxes, fees and fines	-	-	-	-	-	-	23,888	36,125	23,888	36,125
<b>Total administered income</b>	-	-	-	-	-	-	<b>23,888</b>	<b>36,125</b>	<b>23,888</b>	<b>36,125</b>
<b>Administered income less expenses</b>	-	-	-	-	-	-	<b>803</b>	<b>460</b>	<b>803</b>	<b>460</b>

The names and purposes of each service group are summarised in note 6.  
Administered assets and liabilities are disclosed in note 30.

**Transport for NSW**  
**Summary of compliance with financial directives**  
for the year ended 30 June 2016

	Recurrent appropriation \$'000	Expenditure / net claim on Consolidated Fund \$'000	Capital appropriation \$'000	Expenditure / net claim on Consolidated Fund \$'000
<b>2016</b>				
<b>Original budget appropriation / expenditure</b>				
Appropriation Act	9,912,223	9,283,712	784,134	784,134
	<b>9,912,223</b>	<b>9,283,712</b>	<b>784,134</b>	<b>784,134</b>
<b>Other appropriation / expenditure</b>				
Transfers to / from another entity (s 33 of the Appropriation Act)	(374,872)	-	69,678	-
	<b>(374,872)</b>	<b>-</b>	<b>69,678</b>	<b>-</b>
<b>Total appropriation / expenditure net claim on Consolidated Fund</b>	<b>9,537,351</b>	<b>9,283,712</b>	<b>853,812</b>	<b>784,134</b>
Amount drawn down against appropriations (notes 3(a), 3(b))	-	9,283,712	-	784,134
<b>Liability to Consolidated Fund</b>		<b>-</b>		<b>-</b>
<b>2015</b>				
<b>Original budget appropriation / expenditure</b>				
Appropriation Act	8,908,368	8,592,327	2,658,393	2,572,766
	<b>8,908,368</b>	<b>8,592,327</b>	<b>2,658,393</b>	<b>2,572,766</b>
<b>Other appropriation / expenditure</b>				
Transfers to / from another entity (s 32 of the Appropriation Act)	(81,343)	-	(18,000)	-
	<b>(81,343)</b>	<b>-</b>	<b>(18,000)</b>	<b>-</b>
<b>Total appropriation / expenditure net claim on Consolidated Fund</b>	<b>8,827,025</b>	<b>8,592,327</b>	<b>2,640,393</b>	<b>2,572,766</b>
Amount drawn down against appropriations (notes 3(a), 3(b))	-	8,592,327	-	2,572,766
<b>Liability to Consolidated Fund</b>		<b>-</b>		<b>-</b>

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2016

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### 1. Summary of significant accounting policies

#### (a) Transport for NSW - Reporting entity

Transport for NSW was established on 1 November 2011 as a statutory authority. Its roles include planning, procurement, delivery and coordination of transport services and infrastructure in NSW.

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

- Roads and Maritime Services
- Sydney Ferries
- State Transit Authority
- Rail Corporation of New South Wales
- Sydney Trains
- NSW Trains

Transport for NSW, a controlled entity of the Department of Transport, has received an exemption from NSW Treasury from preparing consolidated financial statements on the basis that the Department of Transport, as the ultimate parent entity, produces consolidated financial statements. These financial statements are for the Transport for NSW parent entity only.

Transport for NSW is a not-for-profit organisation. Transport for NSW is consolidated as part of the NSW Total State Sector Accounts.

The financial statements of Transport for NSW for the year ended 30 June 2016 were authorised for issue by the Secretary on the date the accompanying Statement was signed.

#### (b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- the Financial Reporting Directions published in the *Financial Reporting Code for NSW General Government Sector Entities* or issued by the Treasurer under *section 9(2)(n) of the Act*.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at "fair value through profit or loss" and available for sale are measured at fair value. Other financial report items are prepared in accordance with historical cost convention except where specified otherwise.

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

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

**(c) Critical accounting estimates, judgement and assumptions**

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

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

The judgements, key assumptions and estimates management has made are disclosed in the relevant notes to the financial statements.

**(d) Statement of compliance**

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

**(e) Administered activities**

Transport for NSW administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have discretion, for example, to deploy the resources for the achievement of Transport for NSW's own objectives.

Transactions and balances relating to the administered activities are not recognised as Transport for NSW's income, expenses, assets and liabilities, but disclosed in the accompanying schedules as "Administered income", "Administered expenses", "Administered assets" and "Administered liabilities".

The accrual basis of accounting and applicable accounting standards has been adopted.

**(f) Personnel services**

Transport for NSW cannot directly employ staff. The personnel services are provided by the Transport Service of New South Wales and the Department of Transport. As a result, Transport for NSW reports personnel service expenses, not employee related expenses.

Personnel service expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies.

For further details on personnel service expenses refer to note 2(a).

Some personnel service expenses are included in the construction costs of intangible assets and rail infrastructure systems and are, therefore, not included in the personnel service expenses.

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2016

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

#### (g) Major rail projects

Transport for NSW manages the design and construction of major rail projects on behalf of RailCorp. From 1 July 2015, RailCorp receives a direct equity injection from the Crown Entity to fund its contract activities with Transport for NSW. Under this new funding arrangement, RailCorp reimburses Transport for NSW for construction costs incurred on a monthly basis. The new arrangement is considered to be in the nature of construction contracts and is recognised in accordance with AASB 111 *Construction Contracts*.

Major rail project revenue is recognised in the statement of comprehensive income in proportion to the stage of completion of these RailCorp funded construction activities at the reporting date. The value of work performed is measured at the value of the progressive costs incurred during the reporting period for each project. Major rail project expense is recognised in the statement of comprehensive income as incurred.

Amounts due from RailCorp for these rail projects are disclosed as an asset, and the amounts due to RailCorp are disclosed as a liability.

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

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

Maintenance costs relate principally to infrastructure systems and interchanges and do not include any personnel service expenses.

#### (i) Grants and subsidies

Grants and subsidies generally comprise contributions in cash or in kind to transport services providers and various local government authorities and not-for-profit community organisations.

#### (j) Finance costs

Finance costs comprise mainly interest on borrowings and finance lease interest charges. In accordance with Treasury's mandate for the not-for-profit general government sector agencies, finance costs are expensed and recognised in the statement of comprehensive income in the period in which they are incurred.

#### (k) Insurance

Transport for NSW arranges insurance cover through the NSW Treasury Managed Fund Scheme apart from country rail infrastructure cover which is arranged through private insurance providers. The cost of insurance is expensed in the period to which the insurance cover relates.

#### (l) Other expenses

Other expenses include payments to bus and ferry operators for the provision of bus and ferry services in the metropolitan, regional and rural areas of New South Wales.

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2016

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

#### (m) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that: the amount of GST incurred by Transport for NSW as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and receivables and payables are stated with the amount of GST included.

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

#### (n) Income recognition

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

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

Parliamentary appropriations and contributions from other bodies (including grants and contributions) are generally recognised as income when Transport for NSW obtains control over the assets comprising the appropriations/ contributions. Control over appropriations/ contributions is normally obtained upon the receipt of cash. At 30 June unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund. Any liability is disclosed in note 20 as part of "Other liabilities". The amount will be repaid and the liability will be extinguished in the next financial year.

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

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

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

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

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

##### (iv) Investment revenue

Interest revenue on cash and cash equivalents is recognised using the effective interest method as set out AASB 139 *Financial Instruments: Recognition and Measurement*. Rental revenue is recognised in accordance with AASB 117 *Leases* on a straight line basis over the lease term. Royalty revenue is recognised in accordance with AASB 118 *Revenue* on an accrual basis in accordance with the substance of the relevant agreement.

##### (v) Shared and corporate services revenue

Shared and corporate services revenue represents revenue for the provision of shared and other corporate services to various transport operating entities and is recognised when the service is provided.

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

### **(o) Property, plant and equipment**

#### **(i) 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.

#### **(ii) Capitalisation and initial recognition**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Transport for NSW 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 at an asset- specific rate.

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.

Generally property, plant and equipment and intangible assets with a value greater than \$5,000 are capitalised except for assets considered to be part of a network assets irrespective of \$5,000 threshold.

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

Subsequent to initial recognition, property, plant and equipment assets are valued in accordance with the "Valuation of Physical Non – Current Assets at Fair Value" Policy and Guidelines paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

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

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

### (o) Property, plant and equipment (cont'd)

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer to note 13 and note 16 for further information regarding fair value of PPE assets.

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

The depreciated replacement cost is used to revalue specialised buildings (designed for a specific limited purpose), infrastructure systems and certain plant and equipment. Depreciated 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.

Transport for NSW revalues land and buildings 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. Transport for NSW revalues infrastructure systems asset class on a rolling basis. Revaluations are performed by independent professionally qualified valuers.

The last comprehensive revaluation of property, plant and equipment was summarised as follows:

<b>Asset Type</b>	<b>Last comprehensive revaluation date</b>
Land and buildings	28 February 2015
Light rail infrastructure	30 June 2014
Country regional network infrastructure	30 June 2012

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.

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

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

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

Revaluation increments are credited directly to the asset revaluation 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 revenue in the net result.

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

**(o) Property, plant and equipment (cont'd)**

**(iv) Revaluation of property, plant and equipment (cont'd)**

Revaluation decrements are recognised immediately as expenses 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* is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

**(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 Transport for NSW.

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

<b>Asset Class</b>	<b>Useful Lives</b>
Buildings	40 years
Plant and equipment	3 - 30 years
Finance leased buses	8 - 15 years
Infrastructure systems	10 - 100 years

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.

**(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.

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

**(o) Property, plant and equipment (cont'd)**

**(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) Leased assets**

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

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

Under the Sydney Metropolitan Bus Services Contracts, Outer Sydney Metropolitan Bus Services Contracts and Rural and Regional Bus Service Contracts, payments to bus operators for the acquisition of new buses and certain existing buses are considered to be in the nature of finance leases and are recognised in accordance with AASB 117 *Leases*.

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

**(xi) 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.

**(p) Intangible assets**

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met in accordance with AASB 138 *Intangible Assets*.

The useful lives of intangible assets are assessed to be finite.

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

### **(p) Intangible assets (cont'd)**

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

Transport for NSW's intangible assets comprise principally information technology systems which are amortised using the straight line method over periods ranging from 5 to 18 years.

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

### **(q) Financial instruments recognition and measurement**

Financial assets and financial liabilities are recognised when Transport for NSW becomes a party to the contractual provisions of the financial instrument.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial assets and financial liabilities are measured initially at fair value (usually cost) plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, and measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

For the purpose of subsequent measurement, financial assets other than those designated as hedging instruments (non derivative financial assets) are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at Fair Value Through Profit or Loss;
- Held-To-Maturity investments;
- Available-For-Sale financial assets.

The category determines subsequent measurement and whether any resulting income or expense is recognised in profit or loss or other comprehensive income. Refer to note 1(r) to 1(t) for further disclosure regarding the accounting policy on subsequent measurement of non derivative financial assets.

Financial liabilities other than those designated as hedging instruments (non derivative financial liabilities) are subsequently measured at amortised cost using the effective interest method, which is a reasonable approximation of their fair value; except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with any gain or loss recognised in profit or loss. Refer to note 1(z) for further disclosure regarding the accounting policy on financial liabilities.

Financial assets and financial liabilities carried at amortised cost after initial recognition, is considered as a reasonable approximation of their fair value.

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

### **(r) Cash and cash equivalents**

Cash and cash equivalents in the Statement of financial position comprises cash on hand and cash at bank held predominantly through the Treasury Banking System (TBS). Cash and cash equivalents outside of the TBS are held with well rated major Australian banks.

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

### **(s) Loans and receivables**

Loans and receivables are non derivative financial assets with fixed or determined payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the period when impaired, derecognised or through the amortisation process.

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

### **(t) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit and loss, transaction costs. Transport for NSW determines the classification of its financial assets on initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

*(i) Fair value through profit and loss:* Transport for NSW subsequently measures investments classified as “held for trading” or designated upon initial recognition “at fair value through profit and loss” at fair value. Financial assets are classified as “held for trading” if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the period.

*(ii) Held-to-maturity investments:* Non derivative financial investments with fixed or determinable payments and fixed maturity that Transport for NSW has the positive intention and ability to hold to maturity are classified as “held to maturity”. These investments are measured at amortised cost using the effective interest rate method. Changes are recognised in the net result for the period when impaired, derecognised or through the amortisation process.

*(iii) Available-for-sale investments:* Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the period. However, interest calculated using the effective interest method and dividends are recognised in the net result for the period.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date, i.e. the date Transport for NSW commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of financial position date.

Unquoted investment in subsidiaries incorporated as proprietary companies are stated at cost less accumulated impairment in the parent entity's Statement of financial position. The investment is subject to at least annual reviews for impairment.

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

### **(u) Derivative financial instruments and hedge accounting**

Transport for NSW holds derivative financial instruments to hedge its foreign currency risk exposure arising from overseas purchase commitments. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

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.

At the inception of a hedge relationship, Transport for NSW formally designates and documents the hedge relationship to which Transport for NSW 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.

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;
- Hedges of a net investment in a foreign operation.

Transport for NSW has designated its forward currency contracts as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and included within the cash flow hedge reserve in equity, while any ineffective portion is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is transferred from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if the hedged item is the cost of a non-financial asset or liability, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

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 cumulated gain or loss in equity is transferred to profit or loss.

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

### **(v) Impairment of financial assets**

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

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

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

Any reversals of impairment losses are reversed through the net result for the period, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as available - for - sale must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

### **(w) Derecognition of financial assets and financial liabilities**

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

- where substantially all the risks and rewards have been transferred; or
- where Transport for NSW has not transferred substantially all the risks and rewards, if the reporting entity has not retained control.

Where Transport for NSW has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset is recognised to the extent of Transport for NSW's continuing involvement in the asset.

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

### **(x) Non-current assets (or disposal groups) held for sale**

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

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

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

### **(y) Other assets – private sector provided infrastructure**

In these private sector provided infrastructure arrangements, the grantor (Transport for NSW) gives the service concession in exchange for the right to receive the infrastructure from the operator (private sector entity) at the end of the concession period. The operator is required to design, finance and build the infrastructure and use it to provide services directly to the public during the concession period. The services concession arrangement infrastructure is operator-controlled during the concession period and grantor-controlled thereafter. Transport for NSW is responsible to collect fares and determine the price to charge.

In the absence of a specified Australian Accounting Standard, Treasury Policy and Guidelines Paper Accounting for Privately Financed Projects (TPP06-8) applies. The policy requires Transport for NSW to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the government bond rate at the commencement of the project. During the concession period, the reporting entity recognises the annual value of the right to receive the infrastructure as an asset and revenue.

### **(z) Liabilities**

#### **(i) Payables**

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

#### **(ii) Borrowings**

Borrowings are not held for trading or designated at fair value through profit or loss. Borrowings are initially measured at the fair value of the consideration received and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on de-recognition.

The finance lease liability is determined in accordance with AASB 117 *Leases*.

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

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

#### **(iii) Other provisions**

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

Any provisions for restructuring are recognised only when Transport for NSW has a detailed formal plan and it has raised a valid expectation in those affected by the restructuring by starting to implement the plan or announcing its main features to those affected.

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2016

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

#### (z) Liabilities (cont'd)

##### (iii) Other provisions (cont'd)

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and risk specific to the liability.

#### (aa) Fair value hierarchy

A number of Transport for NSW'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, Transport for NSW categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

Level 1 – quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

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

Transport for NSW recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to note 16 and note 27 for further disclosures regarding fair value measurements of financial and non-financial assets.

#### (bb) Equity and reserves

##### (i) Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with Transport for NSW's policy on the revaluation of property, plant and equipment as discussed in note 1(o)(iv).

##### (ii) Hedge reserve

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and is accumulated in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

##### (iii) Accumulated funds

The category "Accumulated funds" includes all current and prior period retained funds.

##### (iv) Equity transfers

Equity transfers represent the transfer of net assets/ liabilities between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated funds". This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners made to Wholly-owned public Sector Entities*.

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

**(bb) Equity and reserves (cont'd)**

**(iv) Equity transfers (cont'd)**

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

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

**(cc) Budgeted amounts**

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amount and the actual amounts disclosed in the primary financial statements are explained in note 29.

The budget for Transport for NSW is inclusive of Transport Service of NSW and Department of Transport.

**(dd) 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.

**(ee) Service groups costing**

Service Groups costs comprise direct costs and indirect costs. Direct and indirect costs include personnel related expenses, depreciation and amortisation, grants and subsidies, finance charges and operating expenses. Direct costs relate to those activities that contribute specifically to the service delivery of one of the Service Groups. Indirect costs relate to those general activities that benefit all Service Groups. Indirect costs are allocated across the three service groups on a pro-rata basis having regard to the direct allocations to each service groups with this method considered to be both systematic and rational and is applied consistently to all costs having similar characteristics.

Assets and liabilities that could be attributed to one of the service groups were allocated to that service group. The other assets and liabilities are allocated across the three service groups on a pro-rata basis having regard to the direct allocations to each service groups with this method considered to be both systematic and rational and is applied consistently to all assets and liabilities having similar characteristics.

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

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

**(i) Effective for the first time in 2015-16**

The accounting policies applied in 2015-16 are consistent with those of the previous financial year, except as a result of the early adoption of AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities.

AASB 2015-7 relieves not-for-profit public sector entities from making certain disclosures for Level 3 property, plant and equipment that are held primarily for their current service potential rather than to generate future net cash inflows.

**(ii) Issued but not yet effective**

At reporting date all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to group operations and effective for the current annual reporting period have been adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2016 in accordance with Treasury mandated policy, with the exception of AASB 2015-7. NSW Treasury permitted NSW public sector entities to early adopt AASB 2015-7.

AASB 16 Leases replaces AASB 117 Leases and some lease-related interpretations, and requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases. The requirements for lessor accounting have been carried forward from AASB 117 largely unchanged. Transport for NSW is yet to undertake a detailed assessment of the impact of AASB 16. However, it is expected that the first time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements.

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities extends the scope of AASB 124 Related Party Disclosure to include not-for-profit public sector entities. It is expected that the first time adopt of AASB 2015-6 for the year ending 30 June 2017 will not impact on the transactions and balances recognised in the primary financial statement, though there will be significant additional disclosures in the notes to the financial statements.

The impact of the other standards in the period of initial application is not expected be significant.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2016

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

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

**(ii) Issued but not yet effective (cont'd)**

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 9 Financial Instruments, AASB 2010-7 and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 and AASB 2015-8 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018
AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs	1 January 2016
AASB 2014-3 Amendments to Australian Accounting standards – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
AASB 2014-4 regarding acceptable methods of depreciation and amortisation - Amendments to AASB 116 and AASB 138	1 January 2016
AASB 2014-9 Amendments to Australian Accounting standards – Equity Method in Separate Financial Statements	1 January 2016
AASB 2014-10 Amendments to Australian Accounting standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-10 Amendments to Australian Accounting standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2016
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017

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

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**2. Expenses excluding losses**

**(a) Personnel related expenses**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
(i) Personnel services:		
Salaries (including recreation leave)	317,046	304,050
Superannuation - defined benefits plan	6,967	4,698
Superannuation - defined contribution plan	26,271	24,598
Long service leave	24,600	18,218
Workers' compensation insurance	297	64
Payroll tax and fringe benefits tax	21,571	19,584
Redundancies	13,633	2,006
Other employee expenses	873	852
	*	
	411,258	374,070
(ii) Skill hire contractors	65,202	58,031
	<b>476,460</b>	<b>432,101</b>

\* In addition to the above, \$108.8 million (2015: \$109.0 million) has been included in major rail project expenses, non-cash grant expenses and capitalised infrastructure and intangible assets.

**(b) Other operating expenses**

Advertising and marketing	34,197	36,303
Consultants	10,296	11,599
Professional service contractors	309,516	183,066
Electricity	2,138	1,727
Auditor's remuneration - audit of the financial statements	507	486
Fleet hire and leasing charges including contingent rents and rail access fees	2,025	1,258
Information technology	38,013	16,482
Insurance	1,493	1,531
Internal audit fees	1,201	1,079
Legal services	3,556	2,808
Office expenses	14,191	18,687
Property rent and other related expenses	23,695	33,244
Security costs	1,102	3,600
Telecommunications	21,762	4,852
Travel expenses - domestic and international	2,070	1,356
General expenses	21,250	26,587
	<b>487,012</b>	<b>344,665</b>

\$10.2 million has been reclassified from office expenses to general expenses in the prior year. This amount represents Opal Epay commission charges and operator training costs.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2016

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

#### (c) Major rail project expenses

	2016 \$'000	2015 \$'000
Personnel related expenses	83,927	-
Skill hire contractors	62,260	-
Professional service contractors	1,371,806	-
Property acquisitions	5,862	-
Insurance	30,558	-
Legal services	8,177	-
Rent and other related expenses	11,281	-
Information technology and telecommunication expenses	6,076	-
Consultants	334	-
Other	16,803	-
	<b>1,597,084</b>	<b>-</b>

Transport for NSW manages the design and construction of major rail projects on behalf of RailCorp. From 1 July 2015, RailCorp receives a direct equity injection from the Crown to fund its contract activities with Transport for NSW. Under this new funding arrangement, RailCorp reimburses Transport for NSW for construction costs incurred on a monthly basis. These reimbursements are recognised as major rail project revenue (note 3(h)).

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

Costs incurred	1,597,084	-
Billings to date	1,597,084	-
<b>Gross amount due from RailCorp</b>	<b>-</b>	<b>-</b>

#### (d) Maintenance

Maintenance	10,028	8,583
Maintenance - infrastructure	99,201	83,448
	<b>109,229</b>	<b>92,031</b>

There is no maintenance costs included in personnel related expenses.

#### (e) Depreciation and amortisation

##### Depreciation:

Infrastructure systems (note 13)	95,935	91,267
Buildings (note 13)	5,399	7,464
Plant and equipment (note 13)	42,055	15,326
Finance leased buses (note 13)	87,437	69,904
Rolling stock (note 13)	6,686	1,032
	<b>237,512</b>	<b>184,993</b>

##### Amortisation:

Information technology systems (note 14)	39,184	7,636
	<b>39,184</b>	<b>7,636</b>
	<b>276,696</b>	<b>192,629</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2016

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

#### (f) Grants and subsidies

	2016 \$'000	2015 \$'000
Taxi Transport Subsidy Scheme	28,976	28,914
Community transport groups	78,386	72,196
Private Vehicle Conveyance	21,020	23,362
Rail services & capital works	1,868,922	4,065,326
Ferry services & capital works	13,750	3,539
Carparks and interchanges	8,552	8,677
Roads and maritime services & capital works	5,759,978	4,735,859
Grants to councils - maintenance of transport infrastructure	5,150	7,471
National transport regulators	13,631	13,767
Road safety grant to NSW Police	26,528	30,146
Other transport operators	15,217	12,721
Others	30,388	24,452
	<b>7,870,498</b>	<b>9,026,430</b>

#### (g) Finance costs

Finance lease interest charge	70,748	67,956
Interest expense on TCorp borrowings	17,110	16,350
	<b>87,858</b>	<b>84,306</b>

#### (h) Other expenses

Bus contract payments - metropolitan and outer metro bus operators	780,154	782,706
Major events - bus and rail services	7,616	9,602
Bus contract payments - rural and regional bus operators	389,626	393,896
Ferry contract payments	80,826	91,554
Light rail contract payments	30,775	16,183
Nightride bus services	8,831	9,260
Infrastructure projects	-	3,871
	<b>1,297,828</b>	<b>1,307,072</b>

### 3. Revenue

#### (a) Recurrent appropriations

Total recurrent draw-downs from NSW Treasury (per summary of compliance with financial directives)	9,283,712	8,592,327
Less: Liability to Consolidated Fund (per summary of compliance with financial directives)	-	-
	<b>9,283,712</b>	<b>8,592,327</b>
Comprising:		
Recurrent appropriations (per statement of comprehensive income)	9,283,712	8,592,327
	<b>9,283,712</b>	<b>8,592,327</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2016

### 3. Revenue (cont'd)

#### (b) Capital appropriations

	2016 \$'000	2015 \$'000
Total capital draw-downs from NSW Treasury (per summary of compliance with financial directives)	784,134	2,572,766
Less: Liability to Consolidated Fund (per summary of compliance with financial directives)	-	-
	<b>784,134</b>	<b>2,572,766</b>
Comprising:		
Capital appropriations (per statement of comprehensive income)	784,134	2,572,766
	<b>784,134</b>	<b>2,572,766</b>

#### (c) Sale of goods and services

Recoupment of project costs	151,115	34,392
Access fees	12,646	10,375
Light rail fare box revenue	10,558	-
Fees for personnel services	17,906	15,412
Major events revenue	4,987	7,045
Legal settlement	-	3,100
Training	4,093	3,652
Other	10,204	6,689
	<b>211,509</b>	<b>80,665</b>

#### (d) Investment revenue

Rents	3,809	4,283
Interest revenue from financial assets at fair value through profit or loss (TCorp Hour-Glass Cash Facility)	-	908
Interest on bank account	6,557	13,400
	<b>10,366</b>	<b>18,591</b>

#### (e) Shared and corporate services revenue

Shared and corporate services revenue <sup>2</sup>	214,852	208,137
	<b>214,852</b>	<b>208,137</b>

<sup>2</sup> Shared and corporate services revenue comprises fees charged by the entity for the provision of shared and other corporate services to other transport entities.

#### (f) Retained taxes, fees and fines

Taxi operators' accreditation renewal fees	1,435	2,222
	<b>1,435</b>	<b>2,222</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2016

### 3. Revenue (cont'd)

#### (g) Grants and contributions

	2016 \$'000	2015 \$'000
Department of Family and Community Services	67,003	65,931
Crown Entity	1,130,757	344,638
Other	-	95,957
	<b>1,197,760</b>	<b>506,526</b>

Transport for NSW received grants of \$67.0 million (2015: \$65.9 million) from the Department of Family and Community Services for the Community Transport Group funding scheme.

Transport for NSW received grants from the Crown Entity of \$33.9 million (2015: \$101.7 million) to fund redundancy grants in the Transport cluster, \$397.9 million (2015: \$242.9 million) for RMS capital works and \$699.0 million (2015: nil) for Sydney Metro City and Southwest project funded by Restart NSW.

Other includes nil (2015: \$38.2 million) receivable from Barangaroo Delivery Authority as a contribution towards the Wynyard Walk Development and nil (2015: \$55.0 million) received from Hunter Development Authority as a contribution to light rail.

#### (h) Major rail project revenue

Major rail project revenue (refer to note 2(c))	1,597,084	-
	<b>1,597,084</b>	<b>-</b>

#### (i) Resources received free of charge

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

Personnel services - superannuation - defined benefit	6,981	4,698
Personnel services - long service leave	24,707	18,218
Personnel services - payroll tax	280	89
	<b>31,968</b>	<b>23,005</b>

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

	2016 \$'000	2015 \$'000
Proceeds from sale	785	-
Written down value of intangibles disposed (note 14)	(9)	(726)
Written down value of property, plant and equipment disposed (note 13)	(15,110)	(1,037)
	<b>(14,334)</b>	<b>(1,763)</b>

### 5. Other gains / (losses)

	2016 \$'000	2015 \$'000
Allowances for impairment of receivables	(81)	(7)
Revaluation decrement	-	(59,125)
Gain on disposal of non-current assets held for sale	15,956	4
Impairment loss - finance leased buses	(178,550)	-
Write down of inventories	(1,185)	-
Write down of right to receive inventories	(119)	-
	<b>(163,979)</b>	<b>(59,128)</b>

## **6. Service groups of Transport for NSW**

Transport for NSW has three service groups namely:

### **Asset maintenance**

*Description:* This service group covers work performed on physical assets to address defects and deterioration in their condition, and replacement required at the end of their useful life, to ensure operational capacity. The scope of activities within this service group includes maintaining current fleet and infrastructure to applicable standards, replacing infrastructure to current standards at the end of its useful life (which is impacted by deterioration over time and by consumption or use) and interventions made to improve cost efficiency and performance of assets in conjunction with the previously listed activities.

### **Services and Operations**

*Description:* This service group covers work performed in operating and utilising the transport network and fleet to provide the required services to customers. The scope of the activities in the service group includes deploying resources and utilising physical assets in the provision of front line customer services, deploying resources to influence demand and transport user behaviour, replacing fleet and the end of their useful life, work performed by external parties as part of a financing agreement (for example, public-private partnerships, leases or grants) and shared corporate and employee services.

### **Growth and Improvement**

*Description:* This service group covers work done to contribute to the expansion of the asset portfolio, specifically to meet changing or improved standards or enhanced system capability. The scope of activities within this service group includes investigations, feasibility studies, optioneering that may result in network improvement and expansion programs, initiatives to improve functionality on existing operational assets to meet new service and legislative requirements and initiatives to expand the existing asset portfolio to increase the capacity of the transport system.

**Transport for NSW**  
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**7. Cash and cash equivalents**

	2016 \$'000	2015 \$'000
Cash at bank and on hand	1,004,470	688,251
	<b>1,004,470</b>	<b>688,251</b>

Cash and cash equivalents include cash at bank held predominantly through the TBS. Cash and cash equivalents outside of the TBS are held with well rated major Australian banks, which includes \$200.7 million (2015: \$134.9 million) consisting of Opal fare box revenue to be paid to service operators and Opal cardholder balances.

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:

	2016 \$'000	2015 \$'000
Cash and cash equivalents (per statement of financial position)	1,004,470	688,251
<b>Closing cash and cash equivalents (per statement of cash flows)</b>	<b>1,004,470</b>	<b>688,251</b>

Refer note 27 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Restricted cash and cash equivalents

Cash and cash equivalent assets include restricted cash of \$149.4 million (2015: \$159.5 million) which has been quarantined specifically in relation to the Parking Space Levy (PSL) of \$136.9 million (2015: \$149.1million), Community Transport Groups of \$5.4 million (2015: \$4.3 million) and the Railway Contribution Deed of \$7.1 million (2015: \$6.1 million).

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

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

The Community Road Safety Fund legislation, which came into effect on 1 May 2013, requires that all money raised from speed camera offences is to be spent on road safety. At balance date there was no surplus fund to be quarantined (2015: nil).

Developer contributions collected under the Railway Contribution Deed in relation to the North Sydney station upgrade are only permitted to be spent on related project costs.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**8. Receivables**

	2016 \$'000	2015 \$'000
<b>Current receivables</b>		
Sale of goods and services	25,356	72,751
Goods and Services Tax recoverable	112,332	101,488
Prepayments	22,710	20,302
Income receivable	73,124	38,251
Investment income receivable	2,861	5,659
Other debtors	3,319	36
	<b>239,702</b>	<b>238,487</b>
Less: Allowance for impairment	(88)	(7)
	<b>239,614</b>	<b>238,480</b>

**Movements in the allowance for impairment**

Balance at 1 July	(7)	(886)
Decrease in allowance recognised in net result	-	1,300
Increase in allowance recognised in net result	(81)	(421)
<b>Balance at 30 June</b>	<b>(88)</b>	<b>(7)</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in note 27.

**9. Inventories**

	2016 \$'000	2015 \$'000
<b>Current inventories held for distribution</b>		
Materials, spare parts and other stores	-	1,186
	-	<b>1,186</b>

**10. Financial assets at fair value**

	2016 \$'000	2015 \$'000
<b>Current</b>		
Derivatives	50	63
	<b>50</b>	<b>63</b>
<b>Non-current</b>		
Derivatives	22	12
	<b>22</b>	<b>12</b>

**Transport for NSW**  
**Notes to the financial statements**  
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**11. Non-current assets held for sale**

	2016 \$'000	2015 \$'000
Land and buildings held for sale	10,093	16,093
	<b>10,093</b>	<b>16,093</b>

Non-current assets held for sale comprise land and buildings transferred from Transport Construction Authority and Sydney Metro as part of administrative restructures in 2011-12. These assets are not required for any future transport infrastructure projects and accordingly are marketed for sale in 2016-17.

**12. Other financial assets**

	2016 \$'000	2015 \$'000
<b>Non-current other financial assets</b>		
Interest free advances to taxi operators	475	552
	<b>475</b>	<b>552</b>

Interest free advances to taxi operators:

Transport for NSW provides repayable interest-free advances to assist taxi operators (in rural and regional NSW) to make their taxis wheel-chair accessible. Transport for NSW holds bills of sale as security for these advances and has recorded its financial interests in the vehicles in the Register of Encumbered vehicles.

Refer to note 27 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

**Transport for NSW**  
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**13. Property, plant and equipment**

	Land and buildings			Infrastructure systems			Plant and equipment				Total property, plant and equipment \$'000	
	Land and buildings	Assets under construction	Total	Infrastructure systems	Assets under construction	Total	Plant and equipment	Finance leased buses	Rolling stock	Assets under construction		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
<b>At 30 June 2016</b>												
At cost (gross carrying amount)	-	19,092	19,092	-	1,275,548	1,275,548	-	1,516,775	-	27,146	1,543,921	2,838,561
At fair value (gross carrying amount)	277,699	-	277,699	2,599,366	-	2,599,366	449,024	-	29,176	-	478,200	3,355,265
Accumulated depreciation and impairment	(14,319)	-	(14,319)	(669,521)	-	(669,521)	(62,130)	(485,403)	(2,015)	-	(549,548)	(1,233,388)
<b>Net carrying amount</b>	<b>263,380</b>	<b>19,092</b>	<b>282,472</b>	<b>1,929,845</b>	<b>1,275,548</b>	<b>3,205,393</b>	<b>386,894</b>	<b>1,031,372</b>	<b>27,161</b>	<b>27,146</b>	<b>1,472,573</b>	<b>4,960,438</b>
<b>At 30 June 2015</b>												
At cost (gross carrying amount)	-	18,048	18,048	-	592,046	592,046	-	1,249,579	-	-	1,249,579	1,859,673
At fair value (gross carrying amount)	327,336	262,392	589,728	2,396,164	-	2,396,164	158,951	-	34,812	-	193,763	3,179,655
Accumulated depreciation and impairment	(15,855)	-	(15,855)	(535,132)	-	(535,132)	(23,139)	(219,690)	(1,509)	-	(244,338)	(795,325)
<b>Net carrying amount</b>	<b>311,481</b>	<b>280,440</b>	<b>591,921</b>	<b>1,861,032</b>	<b>592,046</b>	<b>2,453,078</b>	<b>135,812</b>	<b>1,029,889</b>	<b>33,303</b>	<b>-</b>	<b>1,199,004</b>	<b>4,244,003</b>

In 2015 Transport for NSW entered into a Public Private Partnership (PPP) with Northwest Rapid Transit for the construction of the Sydney Metro Northwest (SMN), formerly the North West Rail Link (NWRL). The SMN project includes improvement to the Epping to Chatswood Rail Link (ECRL), extending from Chatswood to the North Western suburbs of Sydney. The ECRL improvement assets are brought to account as the costs incurred under the PPP in line with NSW Treasury Policy TPP06-8. The ECRL is a component of SMN assets. The PPP will operate until 2034.

**Transport for NSW**  
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**13. Property, plant and equipment (cont'd)**

**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 property, plant and equipment	
	Land and buildings	Assets under construction	Total	Infrastructure systems	Assets under construction	Total	Plant and equipment	Finance leased buses	Rolling stock	Assets under construction		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
<b>Year ended 30 June 2016</b>												
Net carrying amount at start of year	311,481	280,440	591,921	1,861,032	592,046	2,453,078	135,812	1,029,889	33,303	-	1,199,004	4,244,003
Additions	2,074	1,044	3,118	-	1,111,768	1,111,768	-	267,470	-	27,146	294,616	1,409,502
Increase/(decrease) net assets from equity transfers (note 25)	(44,776)	(261,448)	(306,224)	-	86,795	86,795	-	-	-	-	-	(219,429)
Transfer of assets under construction to local councils	-	(944)	(944)	-	(4,340)	(4,340)	-	-	-	-	-	(5,284)
Transfers (to)/from other transport entities	-	-	-	-	(58,370)	(58,370)	-	-	-	-	-	(58,370)
Reclassification (to)/from intangibles	-	-	-	-	(13,920)	(13,920)	291,058	-	-	-	291,058	277,138
Transfer to other assets	-	-	-	-	(338,002)	(338,002)	-	-	-	-	-	(338,002)
Reclassification to plant and equipment	-	-	-	-	(3,154)	(3,154)	2,610	-	544	-	3,154	-
Transfers from assets under construction	-	-	-	82,696	(82,696)	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	(178,550)	-	-	(178,550)	(178,550)
Net revaluation increments less revaluation decrements	-	-	-	82,052	-	82,052	-	-	-	-	-	82,052
Disposals	-	-	-	-	(14,579)	(14,579)	(531)	-	-	-	(531)	(15,110)
Depreciation expense (note 2 (e))	(5,399)	-	(5,399)	(95,935)	-	(95,935)	(42,055)	(87,437)	(6,686)	-	(136,178)	(237,512)
<b>Net carrying amount at end of year</b>	<b>263,380</b>	<b>19,092</b>	<b>282,472</b>	<b>1,929,845</b>	<b>1,275,548</b>	<b>3,205,393</b>	<b>386,894</b>	<b>1,031,372</b>	<b>27,161</b>	<b>27,146</b>	<b>1,472,573</b>	<b>4,960,438</b>

In 2016, Transport for NSW entered into new rural and regional bus services contracts with a number of bus operators, which include capital payments for new and existing buses. All contracts funding new buses are deemed as finance leased assets, as well as for certain existing buses. This resulted in \$198.6 million of additional finance leased buses and finance lease liabilities (note 18) being recognised.

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

**Transport for NSW**  
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**13. Property, plant and equipment (cont'd)**

**Reconciliation**

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

	Land and buildings			Infrastructure systems			Plant and equipment			Total property, plant and equipment		
	Land and buildings	Assets under construction	Total	Infrastructure systems	Assets under construction	Total	Plant and equipment	Finance leased buses	Rolling stock		Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2015</b>												
Net carrying amount at start of year	273,009	328,465	601,474	1,864,575	246,059	2,110,634	99,152	1,014,644	34,585	-	1,148,381	3,860,489
Acquisition through administrative restructure (note 28)	3,202	-	3,202	-	-	-	800	-	-	-	800	4,002
Additions	4,604	1,593	6,197	27,025	2,305,574	2,332,599	28	85,149	-	-	85,177	2,423,973
Increase/(decrease) net assets from equity transfers (note 25)	-	47,638	47,638	-	-	-	-	-	-	-	-	47,638
Transfer of assets under construction to local councils	-	-	-	-	(3,766)	(3,766)	-	-	-	-	-	(3,766)
Transfers (to)/from other transport entities	-	-	-	-	(1,895,122)	(1,895,122)	-	-	-	-	-	(1,895,122)
Reclassification from intangibles	-	-	-	-	-	-	51,945	-	-	-	51,945	51,945
Transfers from assets under construction	-	-	-	60,699	(60,699)	-	-	-	-	-	-	-
Net revaluation increments less revaluation decrements	38,130	(97,256)	(59,126)	-	-	-	-	-	-	-	-	(59,126)
Disposals	-	-	-	-	-	-	(787)	-	(250)	-	(1,037)	(1,037)
Depreciation expense (note 2 (e))	(7,464)	-	(7,464)	(91,267)	-	(91,267)	(15,326)	(69,904)	(1,032)	-	(86,262)	(184,993)
<b>Net carrying amount at end of year</b>	<b>311,481</b>	<b>280,440</b>	<b>591,921</b>	<b>1,861,032</b>	<b>592,046</b>	<b>2,453,078</b>	<b>135,812</b>	<b>1,029,889</b>	<b>33,303</b>	<b>-</b>	<b>1,199,004</b>	<b>4,244,003</b>

**Transport for NSW**  
**Notes to the financial statements**

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**14. Intangibles**

	2016 \$'000	2015 \$'000
<b>Information technology systems</b>		
At cost (gross carrying amount)	740,242	737,979
Accumulated amortisation and impairment	(45,932)	(17,810)
<b>Net carrying amount</b>	<b>694,310</b>	<b>720,169</b>
<b>Reconciliation</b>		
Net carrying amount at beginning of year	720,169	422,938
Additions	290,472	356,857
Disposal	(9)	(726)
Reclassifications to property, plant & equipment	(277,138)	(51,945)
Acquisition through administrative restructure	-	681
Amortisation expense (note 2 (e))	(39,184)	(7,636)
<b>Net carrying amount at end of year</b>	<b>694,310</b>	<b>720,169</b>

**15. Other assets**

	2016 \$'000	2015 \$'000
<b>Non-current other assets</b>		
Prepaid asset - light rail <sup>1</sup>	428,034	-
Prepaid asset - Sydney Metro Northwest <sup>1</sup>	114,034	-
Right to receive - inventory	-	119
	<b>542,068</b>	<b>119</b>

<sup>1</sup>Transport for NSW has entered into PPP contracts with ALTRAC Light Rail Consortium for the construction of the Sydney Light Rail and with Northwest Rapid Transit for the construction of the Sydney Metro Northwest. 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. Both construction phases are expected to be completed by 2019.

**Transport for NSW**  
**Notes to the financial statements**

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**16. Fair value measurement of non-financial assets**

**(a) Fair value hierarchy**

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2016.

<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Property, plant and equipment (Note 13)</b>				
Land and buildings				
- Land and building	-	-	259,502	259,502
Plant and equipment				
- Plant and equipment	-	-	209	209
- Rolling stock	-	-	27,161	27,161
Infrastructure systems	-	-	1,929,845	1,929,845
<b>Non-current assets held for sale (Note 11)</b>	-	-	10,093	10,093
	-	-	<b>2,226,810</b>	<b>2,226,810</b>

\* The above property, plant and equipment exclude assets measured at depreciated replacement cost as a surrogate for fair value.

<b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Property, plant and equipment (Note 13)</b>				
Land and buildings				
- Land and building	-	-	306,176	306,176
- Asset under construction	-	-	262,392	262,392
Plant and equipment				
- Plant and equipment	-	-	289	289
- Rolling stock	-	-	33,303	33,303
Infrastructure systems	-	-	1,861,032	1,861,032
<b>Non-current assets held for sale (Note 11)</b>	-	-	16,093	16,093
	-	-	<b>2,479,285</b>	<b>2,479,285</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2016

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

#### (b) Valuation process

Transport for NSW 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.

Transport for NSW engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of land and buildings (including land and building under construction) were conducted by Preston Rowe Paterson NSW Pty Ltd for 30 June 2015. A comprehensive valuation of the country regional network infrastructure assets was performed in 2012. Aquenta Consulting Pty Ltd was engaged to conduct an interim valuation for the country regional network infrastructure assets at 29 February 2016 using indexation. Majority of plant and equipment are measured using depreciated historical cost as an approximation of fair value and do not require fair value hierarchy disclosure.

#### (c) Valuation techniques and input

At the end of each reporting period, Transport for NSW 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, Transport for NSW considers information from a variety of other sources and uses specific valuation techniques including:

- current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences
- depreciated replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits
- construction costs incurred by the entity
- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions
- 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.

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

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

- **Land and building** – acquisition cost, sale prices for comparable properties, land size are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each property, adjusted for the specific attributes of the property being revalued, such as location, land use and landing values applying in the locality. Construction costs incurred and expected useful life of the assets are determined and reviewed by management in accordance with applicable Australian Accounting Standards.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2016

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

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

- **Plant and equipment** – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.
- **Country rail 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 are estimated by the external valuer and/or management based on recently completed transactions, projects, and current market rates where available, with allowances for demolition of the existing property, contractor's off-site overheads and margin, and the location factor.
- **Light rail infrastructure and rolling stock** – replacement costs for the Pymont Light Rail network assets, construction costs for the Inner West Light Rail extension network assets, length of the tracks, overhead power and stabling yards, number of stops/stations, economic working lives of the assets, expired and remaining economic life, depreciation methods, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Non-current Asset held for sale** – rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.
- **Leasehold improvement make good** – restoration 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.

No transfers have been made between level 1, 2 and 3 for recurring and non-recurring fair value measurements during the year.

**Transport for NSW**  
**Notes to the financial statements**

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

**(d) Valuation input and relationships to fair value**

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements for the non-current assets held for sale.

<b>Valuation Technique</b>	<b>Significant Unobservable Input</b>	<b>Range of Inputs (probability or weighted average)</b>	<b>Relationship between unobservable inputs and fair value measurement</b>
Direct comparison and direct capitalisation approaches: these valuation methods involve comparing the subject asset to comparable sales in similar and surrounding locations on a rate per square metre of the gross floor area, and current market trading value on a price per gaming entitlements and permits basis, adjusted for key attributes such as location, size, demand, sales condition and market condition.	Rate per square metre of the gross floor area	\$475 - \$2,990 (2015: \$475 – 2,990)	The higher the rate, the higher the fair value.
	Market value per block of gaming machine entitlements	\$180,000 (2015: \$180,000)	The higher the market value, the higher the fair value.
	Market value per poker machine permits	\$130,000 (2015: \$130,000)	The higher the market value, the higher the fair value.
	Valuation decline factor	5% (2015: 5%)	The higher the factor, the lower the fair value.
	Sales cost per property	\$30,000 - \$590,000 (2015: \$30,000 - \$590,000)	The higher the cost, the lower the fair value.

There were no significant inter-relations between unobservable inputs that would materially affect the overall valuation.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2016

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

**(e) Reconciliation of level 3 fair value measurement**

	Land and building	Land and Building AUC	Plant and equipment	Rolling stock	Infrastructure systems	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value as at 1 July 2015	306,176	262,392	289	33,303	1,861,032	2,463,192
Additions	2,074	-	-	-	-	2,074
Decrease of net assets from equity transfers	(44,776)	(261,448)	-	-	-	(306,224)
Transfer from other class of PP&E	-	-	-	544	-	544
Transfer from asset under construction	-	-	-	-	82,696	82,696
Transfer to local council	-	(944)	-	-	-	(944)
Revaluation increments / decrements recognised in other comprehensive income - included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	-	-	-	-	82,052	82,052
Depreciation	(3,972)	-	(80)	(6,686)	(95,935)	(106,673)
<b>Fair value as at 30 June 2016</b>	<b>259,502</b>	<b>-</b>	<b>209</b>	<b>27,161</b>	<b>1,929,845</b>	<b>2,216,717</b>

	Land and building	Land and Building AUC	Plant and equipment	Rolling stock	Infrastructure systems	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value as at 1 July 2014	270,068	95,559	424	34,585	1,864,575	2,265,211
Additions	4,604	47,638	-	-	87,724	139,966
Revaluation increments/decrements recognised in Net result - included in the line item 'Other gains / (losses)'	-	(59,126)	-	-	-	(59,126)
Revaluation increments / decrements recognised in other comprehensive income - included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	38,130	(38,130)	-	-	-	-
Disposals	-	-	-	(250)	-	(250)
Depreciation	(6,626)	-	(135)	(1,032)	(91,267)	(99,060)
Reclass from cost to fair value	-	216,451	-	-	-	216,451
<b>Fair value as at 30 June 2015</b>	<b>306,176</b>	<b>262,392</b>	<b>289</b>	<b>33,303</b>	<b>1,861,032</b>	<b>2,463,192</b>

**Transport for NSW**  
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**17. Payables**

	2016 \$'000	2015 \$'000
<b>Current payables</b>		
Trade creditors	120,272	800
Accrued expenses <sup>1</sup>	1,076,828	768,401
Other creditors	7,912	458
Personnel services payable <sup>2</sup>	98,015	70,593
	<b>1,303,027</b>	<b>840,252</b>

<sup>1</sup>\$80.4 million has been reclassified from Opal card holding accounts (note 20) to accrued expenses in the prior year. This amount represents Opal farebox payable to the transport operators.

<sup>2</sup>\$70.6 million has been reclassified from trade creditors to personnel services payable in the prior year.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in note 27.

**18. Borrowings**

	2016 \$'000	2015 \$'000
<b>Current borrowings</b>		
TCorp borrowings	30,174	68,499
Finance leases <sup>1</sup>	124,126	78,094
	<b>154,300</b>	<b>146,593</b>
<b>Non-current borrowings</b>		
TCorp borrowings	339,660	351,037
Finance leases <sup>1</sup>	1,086,546	951,795
	<b>1,426,206</b>	<b>1,302,832</b>
<b>Repayment of borrowings</b>		
Not later than one year	154,300	146,593
Between one and five years	766,625	580,032
Later than five years	659,581	722,800
	<b>1,580,506</b>	<b>1,449,425</b>

<sup>1</sup>In 2016, Transport for NSW entered into new rural and regional bus services contracts with a number of bus operators, which include capital payments for new and existing buses. All contracts funding new buses are deemed as finance leased assets as well as certain existing buses. This resulted in \$198.6 million of additional finance leased assets (note 13) and finance lease liabilities being recognised.

**Transport for NSW**  
**Notes to the financial statements**  
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**19. Provisions**

	2016 \$'000	2015 \$'000
<b>Current provisions</b>		
Lease make good costs	1,509	71
	<b>1,509</b>	<b>71</b>
<b>Non-current provisions</b>		
Lease make good costs	7,627	9,687
	<b>7,627</b>	<b>9,687</b>

<b>Movement in lease make good provisions</b>	<b>\$'000</b>
Net carrying amount at beginning of the year	9,758
Increase in provisions	2,092
Unused amounts reversed	(2,732)
Unwinding of discount or change in discount rate	18
<b>Net carrying amount at end of the year</b>	<b>9,136</b>

**20. Other liabilities**

	2016 \$'000	2015 \$'000
<b>Current other liabilities</b>		
Opal card holding accounts <sup>1</sup>	98,610	54,712
Income received in advance	6,872	6,446
	<b>105,482</b>	<b>61,158</b>

<sup>1</sup>\$80.4 million has been reclassified from Opal card holding accounts to accrued expenses (note 17) in the prior year. This amount represents Opal farebox payable to the transport operators.

<b>Non-current other liabilities</b>		
Contribution from Sydney City Council for light rail	68,200	19,600
Epping to Chatswood Rail Link improvements liability	60,608	18,941
Security deposit	45	45
	<b>128,853</b>	<b>38,586</b>

**21. Financial liabilities at fair value**

	2016 \$'000	2015 \$'000
<b>Current financial liabilities at fair value</b>		
Derivatives	1,589	2,607
	<b>1,589</b>	<b>2,607</b>
<b>Non-current financial liabilities at fair value</b>		
Derivatives	528	74
	<b>528</b>	<b>74</b>

**Transport for NSW**  
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**22. Reconciliation of cash flows from operating activities to net result**

	2016 \$'000	2015 \$'000
Net cash inflow from operating activities	1,922,081	2,750,279
Net gains / (losses) on disposal, impairment, revaluation and write downs	(178,232)	(60,884)
Non-cash expenses	(63,654)	(1,899,025)
Depreciation / amortisation	(276,696)	(192,629)
Increase / (decrease) in receivables	1,196	(12,654)
Decrease / (increase) in payables, provisions and other liabilities	(452,853)	(120,973)
<b>Net result</b>	<b>951,842</b>	<b>464,114</b>

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

	2016 \$'000	2015 \$'000
<b>Non-cash financing activities</b>		
Financial lease liabilities in respect of acquisition of plant and equipment	(267,470)	(85,149)
	<b>(267,470)</b>	<b>(85,149)</b>
<b>Non-cash investing activities</b>		
Plant and equipment acquired by finance lease	267,470	85,149
Recognition of ECRL improvements liabilities	41,667	18,941
Equity transfers (note 25)	(219,106)	163,938
Transfer from administrative restructure (note 28)	-	4,605
	<b>90,031</b>	<b>272,633</b>

**Transport for NSW**  
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**24. Commitments for expenditure**

	2016 \$'000	2015 \$'000
<b>(a) Capital commitments</b>		
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:		
Not later than one year	1,190,411	1,301,189
Later than one year and not later than five years	1,034,114	106,411
<b>Total (including GST)</b>	<b>2,224,525</b>	<b>1,407,600</b>
<b>(b) Operating lease commitments</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	86,912	59,646
Later than one year and not later than five years	185,458	125,809
Later than five years	64,569	7,513
<b>Total (including GST)</b>	<b>336,939</b>	<b>192,968</b>
Operating leases include office accommodation and plant and equipment.		
<b>(c) Finance lease commitments</b>		
Minimum lease payment commitments in relation to finance leases payable as follows:		
Not later than one year	190,060	142,823
Later than one year and not later than five years	728,805	571,293
Later than five years	685,036	694,877
Minimum lease payments	1,603,901	1,408,993
Less: future finance charges	(393,229)	(379,104)
<b>Present value of minimum lease payments</b>	<b>1,210,672</b>	<b>1,029,889</b>
The present value of finance lease commitments is as follows:		
<b>Finance leased buses</b>		
Not later than one year	124,126	78,094
Later than one year and not later than five years	513,166	369,758
Later than five years	573,380	582,037
	<b>1,210,672</b>	<b>1,029,889</b>
Finance lease commitments are classified as:		
Current borrowings (Note 18)	124,126	78,094
Non-current borrowings (Note 18)	1,086,546	951,795
	<b>1,210,672</b>	<b>1,029,889</b>

Input tax (GST) on all commitments estimated at \$232.9 million (2015: \$145.5 million) will be recouped from the Australian Taxation Office.

**Transport for NSW**  
**Notes to the financial statements**  
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**25. Equity transfers**

	2016 \$'000	2015 \$'000
Land transferred from Sydney Harbour Foreshore Authority	323	-
Assets under construction transferred to RailCorp <sup>1</sup>	(306,931)	-
Assets under construction transferred from RailCorp <sup>2</sup>	87,502	-
Land transferred from Department of Planning and Infrastructure	-	47,638
Borrowings transferred to the Crown Entity	-	116,300
	<b>(219,106)</b>	<b>163,938</b>

<sup>1</sup>The Secretary directed Transport for NSW to transfer some assets under construction (\$306.9 million) to RailCorp under *the Transport Administration Act 1988*, and it has been accounted for as an adjustment to equity effective 31 March 2016 in accordance with TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities'.

<sup>2</sup>The Secretary directed RailCorp to transfer some assets under construction (\$87.5 million) to Transport for NSW under *the Transport Administration Act 1988*, and it has been accounted for as an adjustment to equity effective 1 June 2016, in accordance with TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities'.

**26. Contingent liabilities and contingent assets**

In the ordinary course of business, contract disputes have been notified to and by Transport for NSW in relation to its construction activities. As the outcomes of these disputes remain uncertain, it is unpredictable to estimate any potential financial effect from these disputes.

There were a number of property acquisitions and contract claims subject to litigation which management have assessed as totalling up to \$7.0 million.

Apart from the compulsory property acquisition and contract disputes and the probable cost recovery mentioned above, Transport for NSW does not have any other contingent liability or contingent assets that would significantly impact on the state of affairs of Transport for NSW or have a material effect on these financial statements.

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability for a period of at least twelve months from the date when the 2015-16 audit report for OTSI is signed. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to Government.

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**27. Financial instruments**

Transport for NSW's principal financial instruments are outlined below. These financial instruments are required to finance Transport for NSW's operations.

Transport for NSW does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of Transport for NSW expose it to a variety of financial risks: credit risk, liquidity risk and market risk including interest rate risk. The main risks arising from these financial instruments are outlined below together with Transport for NSW's objectives, policies and processes for measuring and managing risk.

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

The Secretary has overall responsibility for the establishment and oversight of risk management and review, and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is subject to review by the internal audit.

**(a) Financial instrument categories**

<b>Financial Assets</b>	<b>Category</b>	<b>2016</b>	<b>2015</b>
<b>Class:</b>		<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents (note 7)	N/A	1,004,470	688,251
Receivables <sup>1</sup> (note 8)	Loans and receivables (at amortised cost)	104,572	116,690
Other financial assets (note 12)	Loans and receivables (at amortised cost)	475	552
Derivative financial instruments (note 10)	Derivatives designated as hedging instruments (at fair value)	72	75
		<b>1,109,589</b>	<b>805,568</b>
<b>Financial Liabilities</b>	<b>Category</b>	<b>2016</b>	<b>2015</b>
<b>Class:</b>		<b>\$'000</b>	<b>\$'000</b>
Payables <sup>2</sup> (note 17)	Financial liabilities measured at amortised cost	1,303,020	840,252
Other liabilities <sup>2</sup> (note 20)	Financial liabilities measured at amortised cost	227,418	93,253
Borrowings (note 18)	Financial liabilities measured at amortised cost	1,580,506	1,449,425
Derivative financial instruments (note 21)	Derivatives designated as hedging instruments (at fair value)	2,117	2,681
		<b>3,113,061</b>	<b>2,385,611</b>

During the year ended 30 June 2016, there were no defaults on any loans payable (2015: nil).

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

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

**(b) Derivatives**

Transport for NSW only uses derivatives for hedging purposes and not as trading or speculative instruments. Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency.

**Transport for NSW**  
**Notes to the financial statements**  
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**27. Financial instruments (cont'd)**

**(b) Derivatives (cont'd)**

All forward currency contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 139 Financial Instruments. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

Transport for NSW held \$0.1 million (2015: \$0.1 million) in derivative financial assets and \$2.1 million (2015: \$2.7 million) in derivative financial liabilities.

The following table indicates the periods in which the cash flow associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

	Weighted average contract rate	Contract Value \$'000	Expected cash flow			Total \$'000
			No Later than 3 months \$'000	Later than 3 months and no later than 12 months \$'000	Later than 12 months \$'000	
<b>2016</b>						
<b>Foreign exchange contracts</b>						
Denominated in Euros	0.6546	31,264	12,999	5,458	12,807	31,264
		<b>31,264</b>	<b>12,999</b>	<b>5,458</b>	<b>12,807</b>	<b>31,264</b>
<b>2015</b>						
<b>Foreign exchange contracts</b>						
Denominated in Euros	0.6868	29,545	27,002	618	1,925	29,545
		<b>29,545</b>	<b>27,002</b>	<b>618</b>	<b>1,925</b>	<b>29,545</b>

Information about the exposure is provided: credit risk in note 27(c), foreign exchange risk in note 27(e), the methods and assumptions used in determining fair values of derivatives in note 27(f).

**(c) Credit risk**

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

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions. Transport for NSW holds bank guarantees for significant customers as well as property bonds for some leased premises. Transport for NSW has not granted any financial guarantees.

**Transport for NSW**  
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**27. Financial instruments (cont'd)**

**(c) Credit risk (cont'd)**

Credit risk policy is aimed at minimising the potential for counter party default.

Credit risk associated with Transport for NSW's financial assets other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. All debt management and investment activities are undertaken with TCorp, which is guaranteed by the NSW Government.

Credit risk impacts on the following financial instruments which are discussed below:

**Cash**

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

**Derivatives**

All derivatives are entered into with bank and financial institutions counterparties, which are rated A or greater, based on a Standard & Poor's long term credit rating.

**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. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the reporting entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are generally made on 30 day terms.

Transport for NSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Debtors of nil million (2015: nil) is considered impaired of debtors of \$14.3 million (2015: \$45.5 million) past due as at 30 June 2016.

The only financial assets that are past due are "Sale of goods and services" in the "Receivables" category of the statement of financial position.

	Past due but not impaired \$'000	Considered impaired \$'000	Total \$'000
<b>2016</b>			
< 3 months overdue	10,637	-	10,637
3 months - 6 months overdue	874	-	874
> 6 months overdue	2,811	88	2,899
	<b>14,322</b>	<b>88</b>	<b>14,410</b>
<b>2015</b>			
< 3 months overdue	44,012	-	44,012
3 months - 6 months overdue	454	-	454
> 6 months overdue	981	7	988
	<b>45,447</b>	<b>7</b>	<b>45,454</b>

**Transport for NSW**  
**Notes to the financial statements**  
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**27. Financial instruments (cont'd)**

**(d) Liquidity risk**

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

Transport for NSW has access to credit facilities with TCorp of \$467.0 million (2015: \$467.0 million) of which \$369.8 million (2015: \$419.5 million) had been used at reporting date.

During the current and prior year, there were no defaults of loans payable and no assets have been pledged as collateral. Transport for NSW's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

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**

	Weighted average effective interest rate	Nominal Amount \$'000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- interest bearing \$'000	< 1 year \$'000	1 -5 years \$'000	> 5 years \$'000
<b>2016</b>								
<b>Payables:</b>								
Trade creditors	-	120,272	-	-	120,272	120,272	-	-
Accrued expenses	-	1,076,821	-	-	1,076,821	1,076,821	-	-
Other current payables	-	7,912	-	-	7,912	7,912	-	-
Personnel services payable	-	98,015	-	-	98,015	98,015	-	-
Other liabilities	-	227,418	-	-	227,418	98,610	128,808	-
<b>Borrowings:</b>								
TCorp borrowings - long term	4.92%	369,834	369,834	-	-	30,174	253,459	86,201
Finance leases	-	1,210,672	1,210,672	-	-	124,126	513,166	573,380
<b>Derivative Financial Instruments:</b>								
Foreign exchange contracts outflows	-	31,264	-	-	31,264	18,457	12,807	-
		<b>3,142,208</b>	<b>1,580,506</b>	<b>-</b>	<b>1,561,702</b>	<b>1,574,387</b>	<b>908,240</b>	<b>659,581</b>

**Transport for NSW**  
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**27. Financial instruments (cont'd)**

**(d) Liquidity risk (cont'd)**

**Maturity Analysis and interest rate exposure of financial liabilities**

	Weighted average effective interest rate	Nominal Amount \$'000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- interest bearing \$'000	< 1 year \$'000	1 -5 years \$'000	> 5 years \$'000
<b>2015</b>								
<b>Payables:</b>								
Trade creditors	-	800	-	-	800	800	-	-
Accrued expenses	-	768,401	-	-	768,401	768,401	-	-
Other current payables	-	458	-	-	458	458	-	-
Personnel services payable	-	70,593	-	-	70,593	70,593	-	-
Other liabilities	-	93,253	-	-	93,253	54,712	38,541	-
<b>Borrowings:</b>								
TCorp borrowings - long term	4.13%	419,536	419,536	-	-	68,499	210,274	140,763
Finance leases	-	1,029,889	1,029,889	-	-	78,094	369,758	582,037
<b>Derivative Financial Instruments:</b>								
Foreign exchange contracts outflows	-	29,545	-	-	29,545	27,620	1,925	-
		<b>2,412,475</b>	<b>1,449,425</b>	<b>-</b>	<b>963,050</b>	<b>1,069,177</b>	<b>620,498</b>	<b>722,800</b>

**(e) Market risk**

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. Transport for NSW's exposure to market risk is primarily through interest rate risk on Transport for NSW's borrowings, foreign exchange risks associated with overseas purchase commitments and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Investment Facility.

The effect on net result and equity due to a reasonable possible change in risk variable is outlined in the information provided below, for interest rate risk and other price risk including currency movements. A reasonable possible change in risk variable has been determined after taking into account the economic environment in which Transport for NSW operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance date. The analysis assumes that all other variables remain constant.

Transport for NSW does not enter into commodity contracts.

**Transport for NSW**  
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**27. Financial instruments (cont'd)**

**(e) Market risk (cont'd)**

**Interest rate risk**

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

Transport for NSW's exposure to interest rate risk is set out in the table below:

	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,004,470	(10,045)	(10,045)	10,045	10,045
Receivables	104,572	-	-	-	-
Financial assets at fair value	72	-	-	-	-
Other financial assets	475	-	-	-	-
<b>Financial liabilities</b>					
Payables	1,303,020	-	-	-	-
Other liabilities	227,418	-	-	-	-
Financial liabilities at fair value	2,117	-	-	-	-
Borrowings	1,580,506	-	-	-	-
<b>2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	688,251	(6,883)	(6,883)	6,883	6,883
Receivables	116,690	-	-	-	-
Financial assets at fair value	75	-	-	-	-
Other financial assets	552	-	-	-	-
<b>Financial liabilities</b>					
Payables	840,252	-	-	-	-
Other liabilities	93,253	-	-	-	-
Financial liabilities at fair value	2,681	-	-	-	-
Borrowings	1,449,425	-	-	-	-

**Transport for NSW**  
**Notes to the financial statements**  
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**27. Financial instruments (cont'd)**

**(e) Market risk (cont'd)**

**Foreign exchange risk**

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Transport for NSW manages its foreign exchange risk by entering into forward exchange contracts in accordance with the Transport for NSW risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily dominated in Euros and US dollars, have been fully hedged using forward contracts that mature on the same dates as the forecast purchase are due for payment. These contracts are designated as cash flow hedges.

Transport for NSW's exposure to foreign exchange risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedge.

A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against other currencies. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

	Contract value \$'000	10%		-10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2016</b>					
Euros	31,264	-	3,126	-	(3,126)
<b>2015</b>					
Euros	29,545	-	2,955	-	(2,955)

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**27. Financial instruments (cont'd)**

**(f) Fair value compared to carrying amount**

Financial instruments are generally recognised at cost, with the exception of derivatives, which are measured at fair value.

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, with the exception of TCorp borrowings.

The following table details the financial instruments where the fair value differs from the carrying amount:

	<b>2016</b> <b>Carrying</b> <b>amount</b> <b>\$'000</b>	<b>2016</b> <b>Fair</b> <b>value</b> <b>\$'000</b>	<b>Fair</b> <b>value</b> <b>level</b>	<b>2015</b> <b>Carrying</b> <b>amount</b> <b>\$'000</b>	<b>2015</b> <b>Fair</b> <b>value</b> <b>\$'000</b>	<b>Fair</b> <b>value</b> <b>level</b>
<b>Financial Liabilities</b>						
Borrowings	369,834	399,585	2	419,536	443,864	2
	<b>369,834</b>	<b>399,585</b>		<b>419,536</b>	<b>443,864</b>	

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**27. Financial instruments (cont'd)**

**(g) Fair value recognised in the statement of financial position**

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2016</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	72	-	72
	-	<b>72</b>	-	<b>72</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	2,117	-	2,117
	-	<b>2,117</b>	-	<b>2,117</b>
<b>2015</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	75	-	75
	-	<b>75</b>	-	<b>75</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	2,681	-	2,681
	-	<b>2,681</b>	-	<b>2,681</b>

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

Level 1 - Derived from quoted prices in active markets for identical assets / liabilities.

Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 - Derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs).

Transport for NSW has assessed the fair value of its financial instruments on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

There were no transfers between Level 1, 2 or 3 during the year.

There were no changes in the valuation techniques during the year.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**28. Administrative restructure**

Net assets and liabilities transferred to Transport for NSW were as follows:

	Total 2016 \$'000	PBLIS <sup>1</sup> 2015 \$'000	RailCorp 2015 \$'000	Total 2015 \$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment				
Land and buildings	-	-	3,202	3,202
Plant and equipment	-	442	358	800
Property, plant and equipment	-	442	3,560	4,002
Intangibles	-	681	-	681
<b>Total non-current assets</b>	<b>-</b>	<b>1,123</b>	<b>3,560</b>	<b>4,683</b>
<b>Total assets</b>	<b>-</b>	<b>1,123</b>	<b>3,560</b>	<b>4,683</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	-	78	-	78
<b>Total current liabilities</b>	<b>-</b>	<b>78</b>	<b>-</b>	<b>78</b>
<b>Total Liabilities</b>	<b>-</b>	<b>78</b>	<b>-</b>	<b>78</b>
<b>Net assets</b>	<b>-</b>	<b>1,045</b>	<b>3,560</b>	<b>4,605</b>

1. PBLIS refers to the Port Botany Landslide Improvement Strategy function which was transferred to Transport for NSW from Sydney Ports Corporation.

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2016

### 29. Budget review

The Budget for Transport for NSW is inclusive of Transport Service of NSW, Department of Transport and Transport for NSW. The Budget amounts disclosed in the statement of comprehensive income, statement of financial position and statement of cash flows are drawn from the original Budget financial statements presented to Parliament in respect of the reporting period.

An explanation of significant variations between the actual and Budget in the reporting period is provided below.

#### Net result

2016 \$m			Explanation
Actual	Budget	Variance	
Summary			
952	521	431	Improvement on the Budget. This was mainly due to the \$669.0 million Restart NSW grant received for the Sydney Metro City and Southwest project.
Significant variances by line item			
Personnel related expenses			
476	1,713	(1,237)	Below Budget mainly because the Budget also includes the salary related expenses incurred by the Transport Service for employees engaged in the operating entities across the Transport cluster.
Major rail project expenses			
1,597	-	1,597	Major rail project expenses reported separately but included predominantly in other operating expenses in the Budget.
Grants and subsidies			
7,870	9,553	(1,683)	Primarily due to transport service contract costs in respect of bus, ferry and light rail forming part of other expenses, however budgeted as grants and subsidies.
Sale of goods and services			
212	3,444	(3,232)	Lower than Budget which reflects the arrangements for 'personnel related expenses' referred to above, with the Budget for 'sale of goods and services' including the recovery of the salary related expenses by the Transport Service from the operating entities in the Transport cluster (\$1,042.0 million).  In addition, the actual results for 2015-16 include separate disclosure of 'shared and corporate services revenue' \$214.8 million and 'major rail project revenue' \$1,597.0 million (budgeted as \$2,135.0 million, decrease is due to redesignation of the Sydney Metro City and Southwest project); which in the Budget is also part of 'sale of goods and services' revenue.
Grants and contributions			
1,198	377	821	Improvement on Budget is mainly due to Restart NSW grants for Sydney Metro City and Southwest project and for RMS capital works.
Major rail project revenue			
1,597	-	1,597	Major rail project revenue reported separately but included in 'sale of goods and services' in the Budget.
Other gains / (losses)			
(164)	-	(164)	Impairment loss on finance leased buses partially offset by gain on disposal of non-current assets held for sale. Non-recurring items not budgeted for.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2016

### 29. Budget review (cont'd)

#### Assets and liabilities

2016 \$m			Explanation
Actual	Budget	Variance	
Summary – Net Assets			
4,322	4,015	307	Improvement on Budget is due to asset additions, primarily relating to Sydney Metro City and Southwest project, and an increase in cash due to additional Restart funding received. Offset by equity transfers to RailCorp for Sydney Metro Northwest project and additional capital accruals relating to the Sydney Metro City and Southwest project.
Significant variances by line item			
Current / non-current assets			
7,452	8,224	(772)	Reduction reflects the arrangements for 'personnel related liabilities', with the Budget for 'receivables' including the recovery of the employee related liabilities by the Transport Service from the operating entities in the Transport cluster (\$1,717.5 million) together with a reduction in infrastructure for the Sydney Metro Northwest project due to an equity transfer to RailCorp (\$241.7 million). The reduction in assets is offset by \$780.5 million additional infrastructure assets in respect of the Sydney Metro City and Southwest project and an increase in cash of \$544.2 million due to additional Restart funding.
Current / non-current liabilities			
3,129	4,209	(1,080)	As per the above comments with respect to the arrangement with the Transport Service. This is partially offset by the \$245.0 million of capital accruals recorded for the Sydney Metro City and Southwest project.

#### Cash flows

2016 \$m			Explanation
Actual	Budget	Variance	
Summary – closing cash			
1,004	460	544	Improvement is due to Restart NSW funds received in June relating to capital accruals together with increased Opal funds not included in the Budget.
Significant variances by line item			
Operating activities			
1,922	803	1,119	The increase is mainly due to the additional Restart NSW funding received for the Sydney Metro City and Southwest project and RMS capital works.
Investing activities			
(1,469)	(929)	(540)	The increase is mainly due to capital expenditure incurred for the Sydney Metro City and Southwest project.
Financing activities			
(136)	(97)	(39)	TCorp borrowings budgeted for 2015-16 rolled over to 2016-17.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2016

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**30. Administered assets and liabilities**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Administered Assets</b>		
Cash	294	1,096
	<b>294</b>	<b>1,096</b>
<b>Administered Liabilities</b>		
Other	294	1,096
	<b>294</b>	<b>1,096</b>

**31. After balance date events**

RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE). TAHE may eventually hold additional public transport assets for the State, including rail infrastructure and possibly ticketing assets currently held by Transport for NSW. The transfer of assets is intended to occur progressively over the next few years.

**End of audited financial statements.**



## INDEPENDENT AUDITOR'S REPORT

### Transport Service of New South Wales

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Transport Service of New South Wales (the Service), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Service as at 30 June 2016, 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 those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Service in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

## **The Secretary's Responsibility for the Financial Statements**

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

In preparing the financial statements, the Secretary must assess the Service's ability to continue as a going concern unless the Service will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Service carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Peter Barnes  
Director, Financial Audit Services

28 September 2016  
SYDNEY



# Transport Service of New South Wales

Annual financial statements

*for the year ended 30 June 2016*

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## Transport Service of New South Wales

Statement by the Secretary

for the year ended 30 June 2016

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Pursuant to sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I state that:

- (a) The accompanying financial statements have been prepared in accordance with:
  - Applicable Australian Accounting Standards (which including Australian Accounting Interpretations);
  - The requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*; and
- (b) The statements exhibit a true and fair view of the financial position and financial performance of Transport Service of New South Wales; and
- (c) There are no known circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Tim Reardon  
**Secretary**

Date: 27 September 2016

**Transport Service of New South Wales**  
Statement of comprehensive income  
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Expenses excluding losses</b>			
Employee related	2(a)	1,809,899	1,795,842
Other operating	2(b)	44	53
<b>Total expenses excluding losses</b>		<b>1,809,943</b>	<b>1,795,895</b>
<b>Revenue</b>			
Personnel services revenue	3(a)	1,762,731	1,765,015
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	88,484	37,532
Grants and contributions	3(c)	44	60
<b>Total revenue</b>		<b>1,851,259</b>	<b>1,802,607</b>
<b>Net result</b>		<b>41,316</b>	<b>6,712</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Remeasurement of defined benefits superannuation	7	(41,316)	(6,712)
<b>Total other comprehensive income</b>		<b>(41,316)</b>	<b>(6,712)</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

**Transport Service of New South Wales**  
Statement of financial position  
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	7,326	16,911
Receivables	5	304,788	425,309
<b>Total current assets</b>		<b>312,114</b>	<b>442,220</b>
<b>Non current assets</b>			
Receivables	5	244,816	1,411,087
<b>Total non current assets</b>		<b>244,816</b>	<b>1,411,087</b>
<b>Total assets</b>		<b>556,930</b>	<b>1,853,307</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6	28,711	22,708
Provisions	7	283,403	419,512
<b>Total current liabilities</b>		<b>312,114</b>	<b>442,220</b>
<b>Non current liabilities</b>			
Provisions	7	244,816	1,411,087
<b>Total non current liabilities</b>		<b>244,816</b>	<b>1,411,087</b>
<b>Total liabilities</b>		<b>556,930</b>	<b>1,853,307</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
Accumulated funds		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

**Transport Service of New South Wales**  
Statement of changes in equity  
for the year ended 30 June 2016

	Notes	Accumulated funds \$'000	Total \$'000
<b>Balance at 1 July 2015</b>		-	-
<b>Net result for the year</b>		<b>41,316</b>	<b>41,316</b>
<b>Other comprehensive income</b>			
Remeasurement of defined benefits superannuation		(41,316)	(41,316)
<b>Total other comprehensive income</b>		<b>(41,316)</b>	<b>(41,316)</b>
<b>Total comprehensive income for the year</b>		-	-
<b>Transactions with owners in their capacity as owners</b>			
Long service leave and defined benefit superannuation assumed by the Crown	10	1,356,353	1,356,353
Debt forgiveness of RMS personnel service receivable	10	(1,356,353)	(1,356,353)
<b>Balance at 30 June 2016</b>		-	-
<b>Balance at 1 July 2014</b>		-	-
<b>Net result for the year</b>		<b>6,712</b>	<b>6,712</b>
<b>Other comprehensive income</b>			
Remeasurement of defined benefits superannuation		(6,712)	(6,712)
<b>Total comprehensive income for the year</b>		-	-
<b>Transactions with owners in their capacity as owners</b>			
Equity transfers	10	-	-
<b>Balance at 30 June 2015</b>		-	-

The accompanying notes form part of these financial statements.

## Transport Service of New South Wales

### Statement of cash flows

for the year ended 30 June 2016

		2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		(1,702,801)	(1,731,428)
<b>Total payments</b>		<b>(1,702,801)</b>	<b>(1,731,428)</b>
<b>Receipts</b>			
Personnel services		1,693,216	1,707,813
<b>Total receipts</b>		<b>1,693,216</b>	<b>1,707,813</b>
<b>Net cash outflows from operating activities</b>	8	<b>(9,585)</b>	<b>(23,615)</b>
<b>Cash flows from investing activities</b>		-	-
<b>Net cash inflows / (outflows) from investing activities</b>		-	-
<b>Cash flows from financing activities</b>		-	-
<b>Net cash inflows / (outflows) from financing activities</b>		-	-
<b>Net decrease in cash</b>		<b>(9,585)</b>	<b>(23,615)</b>
Opening cash and cash equivalents		16,911	40,526
<b>Closing cash and cash equivalents</b>	4	<b>7,326</b>	<b>16,911</b>

The accompanying notes form part of these financial statements

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

### **(a) Reporting entity**

The Transport Service of New South Wales (Transport Service) was established on 1 November 2011 as an agency to employ staff to enable Transport for NSW (TfNSW), which cannot directly employ staff, to undertake its functions.

The Transport Service directly employs staff for Roads and Maritime Services (RMS), State Transit Authority (STA), as well as senior executives of Sydney Trains and NSW Trains. The salaries and related costs are recovered from the relevant entities to which the employees are assigned except for long service leave and defined benefits superannuation scheme expenses relating to TfNSW, RMS and all Senior executives which are assumed by the Crown.

The Transport Service is controlled by the Department of Transport. The financial statements of the Transport Service are consolidated in the Department of Transport financial statements.

The Transport Service is consolidated as part of the NSW Total State Sector financial statements.

The financial statements of Transport Service for the year ended 30 June 2016 were authorised for issue by the Secretary on the date the accompanying statement was signed.

### **(b) Basis of preparation**

The financial statements are general purpose financial statements which have been prepared in compliance with:

- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations); and
- The requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*.

Financial report items are prepared in accordance with the historical cost convention except for superannuation.

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

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

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

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

### **(d) Statement of compliance**

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

### **(e) Employee related**

Employee related expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefit tax and redundancies.

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

### **(f) Income recognition**

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 reporting entity and the income can be reliably measured.

Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

### **(g) Cash and cash equivalents**

Cash and cash equivalents in the Statement of financial position comprise cash at bank.

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

### **(h) Receivables**

Receivables are recognised when it is probable that the future cash inflows associated with them will be realised and they have a value that can be measured reliably. They are derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

### **(i) Payables**

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

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

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

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

### **(j) Employee benefits provisions and expenses**

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

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

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

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

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

The entity's liabilities for long service leave and defined benefit superannuation are either assumed by the Crown Finance Entity or the entity itself.

For liabilities that are assumed by the Crown Entity, the entity accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Finance Entity of employee benefits and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSW TC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense recognised in the Statement of comprehensive income comprises:

- defined contribution plans, the expense is calculated as a percentage of the employees' salary
- defined benefit plans, the expense is a multiple of the employees' superannuation contributions as specified in the Treasury Circular "Accounting for Superannuation" (NSW TC 14/05)

When liabilities are assumed by the entity, they are recognised in the Statement of financial position and measured as follows:

- Long service leave is measured as the present value of expected future payments to be made in respect of employee's service up to the reporting date, in accordance with AASB 119 Employee Benefits. This is based on an actuarial assessment. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service.
- Contributions to defined contribution plans are expensed when incurred. The superannuation expense is calculated as a percentage of the employee's salary. A liability is recognised only to the extent of unpaid employer contributions at reporting date.

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

**(j) Employee benefits provisions and expenses (cont'd)**

- For defined benefit plans, actuarial valuations are carried out at each reporting date by Pillar Administration and the actuarial gains and losses are recognised outside of the net result in other comprehensive income in the year in which they occur. Expenses are recognised based on service costs plus net interest on the net liability or asset for the reporting period as calculated and advised by Pillar Administration. A net liability or asset is recognised based on the difference between the present value of the entity's defined benefit obligations and the fair value of fund assets as at the reporting date, as adjusted for any asset ceiling. The net liability or asset is actuarially determined.

**(iii) Consequential on-costs**

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

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

**(i) Effective for the first time in 2015-16**

The accounting policies applied in 2015-16 are consistent with those of the previous financial year.

**(ii) New Australian Accounting Standards issued but not effective**

At reporting date all the new and revised standards and interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to group operations and effective for the current annual reporting period have been adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2016 in accordance with Treasury mandated policy.

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities extends the scope of AASB 124 Related Party Disclosure to include not-for-profit public sector entities. It is expected that the first time adopt of AASB 2015-6 for the year ending 30 June 2017 will not impact on the transactions and balances recognised in the primary financial statement, though there will be significant additional disclosures in the notes to the financial statements.

The impact of the other standards in the period of initial application will not be significant.

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 9 Financial Instruments, AASB 2010-7 and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 15 Revenue from Contract with Customers, AASB 2014-5 and AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2018
AASB 2015-1 Amendments to Australian Accounting Standards - annual improvements to Australian Accounting Standards 2012-2014 cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018

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

**Transport Service of New South Wales**  
Notes to the financial statements  
for the year ended 30 June 2016

**2. Expenses excluding losses**

**(a) Employee related expenses**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries (including annual leave)	1,444,696	1,406,623
Superannuation - defined benefits plan	36,751	73,088
Superannuation - defined contribution plan	112,982	104,862
Long service leave	75,940	82,789
Workers' compensation insurance	8,600	7,704
Payroll tax and fringe benefit tax	91,763	87,646
Redundancies	38,677	31,124
Other employment benefits	490	2,006
	<b>1,809,899</b>	<b>1,795,842</b>

**(b) Other operating expenses**

Auditor's remuneration - audit of the financial statements	44	53
	<b>44</b>	<b>53</b>

**3. Revenue**

**(a) Personnel services**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Fee for personnel services	1,762,731	1,765,015
	<b>1,762,731</b>	<b>1,765,015</b>

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

Long service leave liability assumed by Crown	61,227	30,579
Superannuation liability assumed by Crown	25,846	6,810
Payroll tax on superannuation assumed by Crown	1,411	143
	<b>88,484</b>	<b>37,532</b>

**(c) Grants and contributions**

Grant from Transport for NSW	44	60
	<b>44</b>	<b>60</b>

**Transport Service of New South Wales**  
Notes to the financial statements  
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**4. Cash and cash equivalents**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	7,326	16,911
	<b>7,326</b>	<b>16,911</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank.

**5. Receivables**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Personnel services debtor	304,788	425,309
	<b>304,788</b>	<b>425,309</b>
<b>Non current</b>		
Personnel services debtor	244,816	1,411,087
	<b>244,816</b>	<b>1,411,087</b>

**6. Payables**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Creditors	14,069	1,000
Accruals - salaries and oncosts	14,642	21,708
	<b>28,711</b>	<b>22,708</b>

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**7. Provisions**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Employee benefits and related on-costs</b>		
<b>Current</b>		
Provision for annual leave <sup>1</sup>	143,425	139,152
Provision for long service leave <sup>2, 4</sup>	128,837	269,540
Provision for payroll tax	6,547	5,563
Provision for workers' compensation insurance <sup>3</sup>	4,198	4,888
Provision for public holidays	396	369
	<b>283,403</b>	<b>419,512</b>
<b>Non current</b>		
Provision for long service leave <sup>2, 4</sup>	11,121	23,233
Provision for superannuation <sup>4</sup>	216,107	1,369,591
Provision for workers' compensation insurance <sup>3</sup>	17,588	18,263
	<b>244,816</b>	<b>1,411,087</b>

<sup>1</sup> It is estimated that the provision for annual leave includes an amount of \$2.9 million that is expected to be taken after 30 June 2017.

<sup>2</sup> The provision for long service leave represents consequential costs not assumed by the Crown Entity for the TfNSW and RMS Employment Groups and the provision for long service leave and associated consequential costs for STA Employment Group of Transport Service as per NSW TC 15/09. It is estimated that the current provision for long service leave includes an amount of \$114.8 million that is expected to be taken after 30 June 2017.

<sup>3</sup> Includes State Transit Authority (STA) self insurance arrangement for workers compensation.

<sup>4</sup> On 1 July 2015, \$164.9 million provision for long service leave and \$1,191.5 million provision for super defined benefit was assumed by the Crown. The assumed amounts related to the RMS Employment Group of Transport Service.

**Defined benefit superannuation overview**

This overview only relates to the STA Employment Group (2015: STA and RMS Employment Groups) whose defined benefit superannuation schemes are not assumed by the Crown Entity.

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

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

**Transport Service of New South Wales**  
Notes to the financial statements  
for the year ended 30 June 2016

**7. Provisions (cont'd)**

<b>Year ended 30 June 2016</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
<b>Member numbers</b>				
Contributors	454	454	-	
Deferred benefits	-	-	1	
Pensioners	174	-	16	
Pensions fully commuted	-	-	2	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability (Note 1)	358,179	26,784	22,627	407,590
Estimated reserve account balance	(166,684)	(12,559)	(12,240)	(191,483)
Deficit/(surplus)	<b>191,495</b>	<b>14,225</b>	<b>10,387</b>	<b>216,107</b>
Future service liability (Note 2)	13,495	7,100	-	20,595
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in statement of financial position	<b>191,495</b>	<b>14,225</b>	<b>10,387</b>	<b>216,107</b>
<b>Year ended 30 June 2015</b>				
<b>Member numbers</b>				
Contributors	1,257	1,379	122	
Deferred benefits	-	-	38	
Pensioners	458	-	1,306	
Pensions fully commuted	-	-	488	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability (Note 1)	912,539	80,551	1,524,808	2,517,898
Estimated reserve account balance	(544,121)	(40,207)	(563,979)	(1,148,307)
Deficit/(surplus)	<b>368,418</b>	<b>40,344</b>	<b>960,829</b>	<b>1,369,591</b>
Future service liability (Note 2)	43,926	24,538	12,353	80,817
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in statement of financial position	<b>368,418</b>	<b>40,344</b>	<b>960,829</b>	<b>1,369,591</b>

**Note 1**

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

**Note 2**

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

(Note: this also includes a contribution tax provision).

## **7. Provisions (cont'd)**

- **Nature of the benefits provided by the fund – Para 139(a)(i)**

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

- \* State Authorities Superannuation Scheme (SASS)
- \* State Superannuation Scheme (SSS)
- \* Police Superannuation Scheme (PSS)
- \* State Authorities Non-contributory Superannuation Scheme (SANCS)

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

All the Schemes are closed to new members.

- **Description of the regulatory framework - Para 139(a)(ii)**

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

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

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

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

An actuarial investigation of the pooled fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

- **Description of other entities' responsibilities for the governance of the fund - Para 139(a)(iii)**

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

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

## 7. Provisions (cont'd)

- **Description of risks - Para 139(b)**

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

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

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

- **Description of significant events - Para 139(c)**

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

- **Reconciliation of the net defined benefit liability/(asset) - Para 140(a)**

<b>Year ended 30 June 2016</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Net defined benefit liability/(asset) at start of year including RMS Employment Group	368,418	40,344	960,829	1,369,591
Net defined benefit liability/(asset) for RMS Employment Group assumed by the Crown on 1 July 2015	(216,816)	(20,640)	(953,992)	(1,191,448)
Net defined benefit liability/(asset) at start of year excluding RMS Employment Group	151,602	19,704	6,837	178,143
Current service cost	4,007	963	-	4,970
Net Interest on the net defined benefit liability/(asset)	4,517	468	207	5,192
Actual return on fund assets less Interest income	(331)	(128)	(15)	(474)
Actuarial (gains)/losses arising from changes in demographic assumptions	3,362	8	639	4,009
Actuarial (gains)/losses arising from changes in financial assumptions	30,931	1,829	2,769	35,529
Actuarial (gains)/losses arising from liability experience	2,438	(136)	(50)	2,252
Employer contributions	(5,031)	(8,483)	-	(13,514)
Effects of transfer in/out due to business combinations and disposal	-	-	-	-
<b>Net defined benefit liability/(asset) at end of year</b>	<b>191,495</b>	<b>14,225</b>	<b>10,387</b>	<b>216,107</b>

**Transport Service of New South Wales**  
**Notes to the financial statements**  
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**7. Provisions (cont'd)**

• **Reconciliation of the net defined benefit liability/(asset) - Para 140(a) (cont'd)**

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Net defined benefit liability/(asset) at start of year	365,358	52,760	902,428	1,320,546
Current service cost	13,167	3,988	2,499	19,654
Net Interest on the net defined benefit liability/(asset)	12,765	1,648	32,211	46,624
Actual return on fund assets less Interest income	(52,512)	(3,442)	(43,636)	(99,590)
Actuarial (gains)/losses arising from changes in demographic assumptions	(121)	(30)	259	108
Actuarial (gains)/losses arising from changes in financial assumptions	43,896	2,904	114,307	161,107
Actuarial (gains)/losses arising from liability experience	41	(4,356)	(46,887)	(51,202)
Employer contributions	(10,794)	(12,797)	(352)	(23,943)
Effects of transfer in/out due to business combinations and disposal	(3,382)	(331)	-	(3,713)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>368,418</b>	<b>40,344</b>	<b>960,829</b>	<b>1,369,591</b>

• **Reconciliation of the fair value of fund assets – Para 140(a)(i)**

<b>Year ended 30 June 2016</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Fair value of fund assets at beginning of the year including RMS Employment Group	544,121	40,207	563,979	1,148,307
Fair value of fund assets for RMS Employment Group assumed by the Crown on 1 July 2015	(369,279)	(33,500)	(551,353)	(954,132)
Fair value of fund assets at beginning of the year excluding RMS Employment Group	174,842	6,707	12,626	194,175
Interest income	4,993	277	369	5,639
Actual return on fund assets less Interest income	331	128	15	474
Employer contributions	5,032	8,483	-	13,515
Contributions by participants	2,105	-	-	2,105
Benefits paid	(18,716)	(1,907)	(829)	(21,452)
Taxes, premiums & expenses paid	(1,903)	(1,129)	59	(2,973)
Transfer in/out due to business combinations and disposal	-	-	-	-
<b>Fair value of fund assets at end of the year</b>	<b>166,684</b>	<b>12,559</b>	<b>12,240</b>	<b>191,483</b>

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Fair value of fund assets at beginning of the year	546,978	44,255	592,904	1,184,137
Interest income	18,149	1,578	20,189	39,916
Actual return on fund assets less Interest income	52,512	3,442	43,636	99,590
Employer contributions	10,794	12,797	352	23,943
Contributions by participants	6,958	-	3,117	10,075
Benefits paid	(105,247)	(19,213)	(102,081)	(226,541)
Taxes, premiums & expenses paid	27,560	(1,171)	5,862	32,251
Transfer in/out due to business combinations and disposal	(13,583)	(1,481)	-	(15,064)
<b>Fair value of fund assets at end of the year</b>	<b>544,121</b>	<b>40,207</b>	<b>563,979</b>	<b>1,148,307</b>

**Transport Service of New South Wales**  
**Notes to the financial statements**  
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**7. Provisions (cont'd)**

• **Reconciliation of the defined benefit obligation – Para 140(a)(ii)**

<b>Year ended 30 June 2016</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Present value of defined benefit obligations at beginning of the year including RMS Employment Group	912,539	80,551	1,524,808	2,517,898
Present value of defined benefit obligations for RMS Employment Group assumed by the Crown on 1 July 2015	(586,095)	(54,140)	(1,505,345)	(2,145,580)
Present value of defined benefit obligations at beginning of the year excluding RMS Employment Group	326,444	26,411	19,463	372,318
Current service cost	4,007	963	-	4,970
Interest cost	9,511	746	576	10,833
Contributions by participants	2,105	-	-	2,105
Actuarial (gains)/losses arising from changes in demographic assumptions	3,362	8	639	4,009
Actuarial (gains)/losses arising from changes in financial assumptions	30,931	1,829	2,769	35,529
Actuarial (gains)/losses arising from liability experience	2,438	(136)	(50)	2,252
Benefits paid	(18,716)	(1,908)	(829)	(21,453)
Taxes, premiums & expenses paid	(1,903)	(1,129)	59	(2,973)
Transfer in/out due to business combinations and disposal	-	-	-	-
<b>Present value of defined benefit obligations at end of the year</b>	<b>358,179</b>	<b>26,784</b>	<b>22,627</b>	<b>407,590</b>
<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Present value of defined benefit obligations at beginning of the year	912,336	97,015	1,495,332	2,504,683
Current service cost	13,167	3,988	2,499	19,654
Interest cost	30,914	3,226	52,400	86,540
Contributions by participants	6,958	-	3,117	10,075
Actuarial (gains)/losses arising from changes in demographic assumptions	(121)	(30)	259	108
Actuarial (gains)/losses arising from changes in financial assumptions	43,896	2,904	114,307	161,107
Actuarial (gains)/losses arising from liability experience	41	(4,356)	(46,887)	(51,202)
Benefits paid	(105,247)	(19,213)	(102,081)	(226,541)
Taxes, premiums & expenses paid	27,560	(1,171)	5,862	32,251
Transfer in/out due to business combinations and disposal	(16,965)	(1,812)	-	(18,777)
<b>Present value of defined benefit obligations at end of the year</b>	<b>912,539</b>	<b>80,551</b>	<b>1,524,808</b>	<b>2,517,898</b>

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**7. Provisions (cont'd)**

• **Fair value of fund assets - Para 142**

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

<b>Year ended 30 June 2016</b>				
<b>Asset category</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets</b>	<b>Significant observable inputs</b>	<b>Unobservable inputs</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Short term securities	2,050	2,044	6	-
Australian fixed interest	2,721	3	2,718	-
International fixed interest	835	(1)	836	-
Australian equities	9,721	9,172	549	-
International equities	12,094	9,026	2,079	989
Property	3,650	1,113	619	1,918
Alternatives	7,116	470	3,122	3,524
<b>Total</b>	<b>38,187</b>	<b>21,827</b>	<b>9,929</b>	<b>6,431</b>

<b>Year ended 30 June 2015</b>				
<b>Asset category</b>	<b>Total</b>	<b>Quoted prices in active markets for identical assets</b>	<b>Significant observable inputs</b>	<b>Unobservable inputs</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
Short term securities	2,642	96	2,546	-
Australian fixed interest	2,657	1	2,639	17
International fixed interest	1,004	-	1,004	-
Australian equities	10,407	9,899	504	4
International equities	13,111	9,963	2,585	563
Property	3,452	948	718	1,786
Alternatives	7,170	622	3,020	3,528
<b>Total</b>	<b>40,443</b>	<b>21,529</b>	<b>13,016</b>	<b>5,898</b>

## 7. Provisions (cont'd)

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

	2016	2015
Short term securities	5.4%	6.5%
Australian fixed interest	7.1%	6.6%
International fixed interest	2.2%	2.5%
Australian equities	25.5%	25.7%
International equities	31.7%	32.4%
Property	9.6%	8.6%
Alternatives	18.6%	17.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Additional to the assets disclosed above, at 30 June 2016 the pooled fund has provisions for receivables/(payables) estimated to be around \$2.83 billion. This gives total estimated assets of \$41.01 billion.

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

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

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

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

### Fair value of entity's own financial instruments – Para 143

The fair value of the pooled fund assets as at 30 June 2016 include \$189.6 million in NSW government bonds.

Of the direct properties owned by the pooled fund:

- SAS Trustee Corporation occupies part of a property owned by the pooled fund with a fair value of \$222.0 million (30 June 2015: \$159.0 million).
- Health Administration Corporation occupies part of a property 50% owned by the pooled fund with a fair value of \$243.0 million (30 June 2015: \$204.0 million).

### • Significant actuarial assumptions at the reporting date - Para 144

	2016	2015
Discount rate	1.99% pa	3.03% pa
Salary increase rate (excluding promotional increases)	2.50% 2016/2017 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter	2.50% 2015/16 to 2018/19; 3.50% 2019/20; 3.00% pa 2021/22 to 2024/25; 3.50% pa thereafter
Rate of CPI increase	1.5% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter	2.50% 2015/16; 2.75% 2016/17 & 2017/18; 2.50% pa thereafter
Pensioner mortality	as per the 2015 Actuarial Investigation of the Pooled Fund	as per the 2012 Actuarial Investigation of the Pooled Fund

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**7. Provisions (cont'd)**

• **Sensitivity analysis – Para 145**

The entity's total defined benefit obligation as at 30 June 2016 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2016.

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

<b>Year ended 30 June 2016</b>	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B -1% discount rate</b>
Discount rate	1.99%	0.99%	2.99%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	407,591	452,792	370,547
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	407,591	422,075	394,359
	<b>Base case</b>	<b>Scenario E +0.5% rate of salary increase</b>	<b>Scenario F -0.5% rate of salary increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	407,591	413,784	401,651
	<b>Base case</b>	<b>Scenario G Higher mortality rates *</b>	<b>Scenario H Lower mortality rates **</b>
Defined benefit obligation (A\$'000)	407,591	404,750	412,867

\*Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021

\*\*Assumes the short term pensioner mortality improvement factors for years 2016 to 2021 also apply for years post 2021

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

## 7. Provisions (cont'd)

- Sensitivity analysis – Para 145 (continued)**

The entity's total defined benefit obligation as at 30 June 2015 under several scenarios is presented below. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

<b>Year ended 30 June 2015</b>	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	3.03%	2.03%	4.03%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	2,517,898	2,854,656	2,242,502
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	2,517,898	2,658,469	2,389,700
	<b>Base case</b>	<b>Scenario E +0.5% rate of salary increase</b>	<b>Scenario F -0.5% rate of salary increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	2,517,898	2,537,470	2,499,103
	<b>Base case</b>	<b>Scenario G Higher mortality rates</b>	<b>Scenario H Lower mortality rates</b>
Defined benefit obligation (A\$'000)	2,517,898	2,493,009	2,544,294

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

- Asset-liability matching strategies - Para 146**

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

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**7. Provisions (cont'd)**

• **Funding arrangements - Para 147(a)**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

• **Surplus/deficit**

The following is a summary of the 30 June 2016 financial position of the fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

<b>Year ended 30 June 2016</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Accrued benefits	229,738	19,204	11,060	260,002
Net market value of fund assets	(166,684)	(12,559)	(12,240)	(191,483)
<b>Net (surplus)/deficit</b>	<b>63,054</b>	<b>6,645</b>	<b>(1,180)</b>	<b>68,519</b>

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Accrued benefits	634,136	59,805	783,907	1,477,848
Net market value of fund assets	(544,121)	(40,207)	(563,979)	(1,148,307)
<b>Net (surplus)/deficit</b>	<b>90,015</b>	<b>19,598</b>	<b>219,928</b>	<b>329,541</b>

\*There is no allowance for a contribution tax provision within the accrued benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

• **Contribution recommendations**

<b>Year ended 30 June 2016</b>	<b>SASS % p.a.</b>	<b>SANCS % p.a.</b>	<b>SSS % p.a.</b>
Recommended contributions rates were:			
STA Employment Group	2.2%	2.5%	1.6%

<b>Year ended 30 June 2015</b>	<b>SASS % p.a.</b>	<b>SANCS % p.a.</b>	<b>SSS % p.a.</b>
Recommended contributions rates were:			
RMS Employment Group	1.1%	2.1%	0.2%
STA Employment Group	2.2%	2.5%	1.6%

**Transport Service of New South Wales**  
Notes to the financial statements  
for the year ended 30 June 2016

**7. Provisions (cont'd)**

• **Economic assumptions**

The economic assumptions adopted for the 30 June 2015 actuarial investigation of the pooled fund are:

<b>Weighted-average assumptions</b>	<b>2016 % p.a.</b>	<b>2015 % p.a.</b>
Expected rate of return on fund assets backing current pension liabilities	7.8% pa	8.3% pa
Expected rate of return on fund assets backing other liabilities	6.8% pa	7.3% pa
	3.0% to 30 June 2019 then 3.5% pa thereafter	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter
Expected salary increase rate (excluding promotional salary increases)		
Expected rate of CPI increase	2.5% pa	2.5% pa

• **Expected contributions - Para 147(b)**

<b>Year ended 30 June 2016</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	4,631	822	-	5,453
<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	9,922	2,965	483	13,370

• **Maturity profile of defined benefit obligation - Para 147(c)**

The weighted average duration of the defined benefit obligation is:

STA Employment Group – 12.1 years.

• **Profit or loss impact**

<b>Year ended 30 June 2016</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Current service cost	4,007	963	-	4,970
Net interest	4,517	468	207	5,192
Past service cost	-	-	-	-
(Gains)/loss on settlement	-	-	-	-
<b>Defined benefit cost</b>	<b>8,524</b>	<b>1,431</b>	<b>207</b>	<b>10,162</b>
<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Current service cost	13,167	3,988	2,499	19,654
Net interest	12,765	1,648	32,211	46,624
Past service cost	-	-	-	-
(Gains)/loss on settlement	-	-	-	-
<b>Defined benefit cost</b>	<b>25,932</b>	<b>5,636</b>	<b>34,710</b>	<b>66,278</b>

**Transport Service of New South Wales**  
Notes to the financial statements  
for the year ended 30 June 2016

**7. Provisions (cont'd)**

• **Other comprehensive income**

<b>Year ended 30 June 2016</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Actuarial (gains)/ losses on liabilities	36,731	1,701	3,358	41,790
Actual return on fund assets less Interest income	(331)	(128)	(15)	(474)
Effects of transfer in/out due to business combinations and disposal	-	-	-	-
<b>Total remeasurement in other comprehensive income</b>	<b>36,400</b>	<b>1,573</b>	<b>3,343</b>	<b>41,316</b>
<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Actuarial (gains)/ losses on liabilities	43,816	(1,480)	67,679	110,015
Actual return on fund assets less Interest income	(52,512)	(3,442)	(43,636)	(99,590)
Effects of transfer in/out due to business combinations and disposal	(3,382)	(331)	-	(3,713)
<b>Total remeasurement in other comprehensive income</b>	<b>(12,078)</b>	<b>(5,253)</b>	<b>24,043</b>	<b>6,712</b>

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

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Net cash outflows from operating activities	(9,585)	(23,615)
Non cash expense (long service leave and superannuation assumed by the Crown Entity)	(88,484)	(37,532)
Non cash acceptance by the Crown Entity of employee entitlements	88,484	37,532
(Decrease) / increase in receivables	(1,286,792)	57,262
(Increase) / decrease in payables	(6,003)	33,745
Decrease / (increase) in employee related provisions	1,343,696	(60,680)
<b>Net result</b>	<b>41,316</b>	<b>6,712</b>

## 9. Financial instruments

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

The reporting entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of the reporting entity do not expose it to a variety of financial risks such as credit, liquidity or market risk. The main risks arising from any financial instrument of the reporting entity are outlined below together with the reporting entity's objectives, policies and processes for measuring and managing the risks.

Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary of the reporting entity has overall responsibility for the establishment and oversight of risk management and review and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the Audit and Risk Committee and internal audit on a regular basis.

### (a) Financial instrument categories

<b>Financial assets</b>	<b>Note</b>	<b>Category</b>	<b>2016</b>	<b>2015</b>
<b>Class:</b>			<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	4	N/A	7,326	16,911
Receivables <sup>1</sup>	5	Loans and receivables (at amortised cost)	549,604	1,836,396
<b>Financial liabilities</b>	<b>Note</b>	<b>Category</b>	<b>2016</b>	<b>2015</b>
<b>Class:</b>			<b>\$'000</b>	<b>\$'000</b>
Payables <sup>2</sup>	6	Financial liabilities (at amortised cost)	28,142	22,655

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB7)

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

### (b) Credit risk

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

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions.

Credit risk impacts on the following financial instruments which are discussed below:

#### Cash

Cash comprises bank balances within the NSW Treasury Banking System.

#### Receivables – personnel services debtor

All personnel services debtors are recognised as amounts receivable at balance date. Personnel services debtors are employee related. All debtors are NSW government agencies and no debtor balances are considered impaired as at 30 June 2016.

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**9. Financial instruments (cont'd)**

**(c) Liquidity risk**

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

During the current and prior year, there were no defaults of loans payable and no assets have been pledged as collateral.

**Maturity analysis and interest rate exposure of financial liabilities**

	Weighted average effective int. rate	Nominal amount \$'000	Interest rate exposure			Maturity dates		
			Fixed interest Rate \$'000	Variable interest rate \$'000	Non- interest bearing \$'000	< 1 year \$'000	1 -5 years \$'000	> 5 years \$'000
<b>2016</b>								
<b>Payables:</b>								
Accrued salaries, wages and on- costs	-	14,642	-	-	14,642	14,642	-	-
Other creditors	-	13,500	-	-	13,500	13,500	-	-
		<b>28,142</b>	-	-	<b>28,142</b>	<b>28,142</b>	-	-
<b>2015</b>								
<b>Payables:</b>								
Accrued salaries, wages and on- costs	-	21,708	-	-	21,708	21,708	-	-
Other creditors	-	947	-	-	947	947	-	-
		<b>22,655</b>	-	-	<b>22,655</b>	<b>22,655</b>	-	-

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The entity has no exposure to foreign currency risk and does not enter into commodity contracts.

**(e) Fair value compared to carrying amount**

Financial instruments are recognised at amortised cost. The carrying value of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

**Transport Service of New South Wales**  
Notes to the financial statements  
for the year ended 30 June 2016

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**10. Equity transfers**

	2016 \$'000	2015 \$'000
Long service leave and defined benefit superannuation assumed by the Crown	1,356,353	-
Debt forgiveness of RMS personnel service receivable	(1,356,353)	-
	-	-

---

The Treasurer approved the equity transfer of long service leave (\$164.9 million) and defined benefits superannuation scheme (\$1,191.5 million) liabilities relating to former RMS award staff from the Transport Service to the Crown, effective 1 July 2015.

The Secretary directed Transport Services and RMS to extinguish the \$1,356.4 million receivable and payable between the entities in relation to the former RMS award staff employee related liabilities via an adjustment to equity in both entities, also effective 1 July 2015.

**11. After balance date events**

There are no after balance sheet date events.

**End of audited financial statements.**



## INDEPENDENT AUDITOR'S REPORT

### Sydney Ferries

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Sydney Ferries, which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of Sydney Ferries as at 30 June 2016, 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 those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of Sydney Ferries in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of non-audit services.

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

## **The Chief Executive's Responsibility for the Financial Statements**

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

In preparing the financial statements, the Chief Executive must assess Sydney Ferries' ability to continue as a going concern unless Sydney Ferries will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that Sydney Ferries carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Peter Barnes  
Director, Financial Audit Services

26 September 2016  
SYDNEY



# **Sydney Ferries**

Annual Financial Statements

*for the year ended 30 June 2016*

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**Sydney Ferries**  
**Statement by the Chief Executive**  
for the year ended 30 June 2016

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Pursuant to Sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I declare that, in my opinion:

- 1) The accompanying financial statements, consisting of the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes accompanying and forming part of the financial statements, exhibit a true and fair view of the financial position of Sydney Ferries as at 30 June 2016, and of its financial performance for the year ended on that date.
- 2) These financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and NSW Treasurer's Directions.

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



**Stephen Troughton**  
**Acting Chief Executive**

**26 September 2016**

**Sydney Ferries**  
**Statement of comprehensive income**  
for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Actual 2015 \$'000
<b>Expenses excluding losses</b>			
Employee related	2(a)	(19)	468
Depreciation and amortisation	2(b)	16,142	14,222
Other operating expenses	2(c)	396	1,599
<b>Total expenses excluding losses</b>		<b>16,519</b>	<b>16,289</b>
<b>Revenue</b>			
Operational revenue	3(a)	6,043	5,905
Other revenue	3(b)	19,976	8,203
<b>Total revenue</b>		<b>26,019</b>	<b>14,108</b>
Other (losses)/gains	4	(6,126)	582
<b>Net result</b>		<b>3,374</b>	<b>(1,599)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Ferries revaluation		(1,799)	-
<b>Total other comprehensive income</b>		<b>(1,799)</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>1,575</b>	<b>(1,599)</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of financial position**  
as at 30 June 2016

	Notes	Actual 2016 \$'000	Actual 2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	29,196	18,172
Trade and other receivables	6	981	113
<b>Total current assets</b>		<b>30,177</b>	<b>18,285</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	76,731	81,785
Intangibles	8	34,550	40,382
<b>Total non-current assets</b>		<b>111,281</b>	<b>122,167</b>
<b>Total assets</b>		<b>141,458</b>	<b>140,452</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	1,576	704
Other liabilities	11	4,339	5,780
<b>Total current liabilities</b>		<b>5,915</b>	<b>6,484</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>5,915</b>	<b>6,484</b>
<b>Net assets</b>		<b>135,543</b>	<b>133,968</b>
<b>EQUITY</b>			
Accumulated funds		130,306	126,932
Reserves		5,237	7,036
<b>Total equity</b>		<b>135,543</b>	<b>133,968</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of changes in equity**  
for the year ended 30 June 2016

	Accumulated funds \$'000	Asset revaluation reserve \$'000	Total equity \$'000
<b>Balance at 1 July 2015</b>	126,932	7,036	133,968
<b>Net result</b>	3,374	-	3,374
<b>Other comprehensive income</b>	-	(1,799)	(1,799)
<b>Total other comprehensive income</b>	-	(1,799)	(1,799)
<b>Total comprehensive income/(loss) for the year</b>	<b>3,374</b>	<b>(1,799)</b>	<b>1,575</b>
<b>Balance at 30 June 2016</b>	<b>130,306</b>	<b>5,237</b>	<b>135,543</b>
<b>Balance at 1 July 2014</b>	128,531	7,036	135,567
<b>Net result</b>	(1,599)	-	(1,599)
<b>Other comprehensive income</b>	-	-	-
<b>Total other comprehensive income</b>	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>(1,599)</b>	<b>-</b>	<b>(1,599)</b>
<b>Balance at 30 June 2015</b>	<b>126,932</b>	<b>7,036</b>	<b>133,968</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of cash flows**  
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Operational revenue		6,093	7,267
Grants		13,753	3,539
Other receipts		-	84
Interest received		264	344
Payments to suppliers		(898)	(2,822)
Payments for employees and former employees		(1,744)	(1,925)
<b>Net cash flows from operating activities</b>	14	<b>17,468</b>	<b>6,487</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and other non-current assets		(6,444)	(4,135)
<b>Net cash flows used in investing activities</b>		<b>(6,444)</b>	<b>(4,135)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows from financing activities</b>		-	-
<b>Net increase in cash</b>		11,024	2,352
Opening cash and cash equivalents		18,172	15,820
<b>Closing cash and cash equivalents</b>	5	<b>29,196</b>	<b>18,172</b>

The accompanying notes form part of these financial statements.

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2016

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### 1. Summary of significant accounting policies

#### (a) Reporting entity

Sydney Ferries is a statutory corporation established by the *Transport Administration Act 1988*. Sydney Ferries is a “statutory authority” for the purposes of the *Public Finance and Audit Act 1983* and is a controlled entity of Transport for NSW (TfNSW) and TfNSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector Accounts.

Sydney Ferries was initially established to deliver public ferry services in Sydney. On 3 May 2012 the Minister for Transport announced that Harbour City Ferries (HCF) was awarded a contract to operate ferry services on Port Jackson and the Parramatta River for seven years under a new Ferry System Contract between HCF and Transport for NSW. The contract commenced on 28 July 2012. Since 28 July 2012, HCF leases the vessels, land and buildings from Sydney Ferries.

The financial statements were authorised for issue by the Acting Chief Executive Officer on the date on which the accompanying Statement by the Acting Chief Executive was signed.

#### (b) Basis of preparation

The financial statements of Sydney Ferries have been prepared as general purpose financial statements on an accrual basis in accordance with:

- applicable Australian Accounting Standards and Interpretations;
- the requirements of the *Public Finance and Audit Act 1983*;
- the *Public Finance and Audit Regulation 2015*; and
- Treasurer's Directions and Treasury Circulars.

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

#### (c) Statement of compliance

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

#### (d) Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment and intangible assets, which are measured at fair value.

#### (e) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognised in the period in which the estimate is revised and in any future periods affected.

The judgements, key assumptions and estimates management has made are disclosed in the relevant notes to the financial statements.

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2016

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

#### (e) Use of estimates and judgements (cont'd)

##### (i) Critical judgements in applying the accounting policies:

##### **Determination of for-profit or not-for-profit**

Sydney Ferries is a not-for-profit entity as profit is not its principal objective.

##### **Going concern**

The financial statements have been prepared on a going concern basis which assumes that payment of liabilities will be met, as and when they fall due, without any intention or necessity to liquidate assets or otherwise wind up operations.

#### (f) Revenue

Revenue is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Revenue is not recognised unless receipt is probable and the amount is reliably measurable. Revenue is recognised on major income categories as follows:

##### (i) Grants

Income from grants is recognised when all of the following conditions are satisfied: the entity obtains control of the grant or the right to receive the grant; it is probable that the economic benefits comprising the grant will flow to the entity, and the amount of the grant can be measured reliably. Income from grants is measured at the fair value of the grant received or receivable. Unspent grants are accounted for as liabilities if there is a contractual obligation to refund the unspent amounts.

##### (ii) Investment revenue

Interest revenue is recognised in the Statement of comprehensive income as it accrues, using the effective interest method.

##### (iii) Rental revenue

Rental revenue is recognised in accordance with *AASB 117 Leases* on a straight-line basis over the lease term.

##### (iv) Major periodic maintenance revenue

Major periodic maintenance (MPM) Revenue is recognised in line with major periodic maintenance work undertaken by the Ferry Services Contractor, Harbour City Ferries, on Sydney Ferries vessels.

#### (g) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits. Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

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

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

**(h) Employee benefits and other provisions**

**(i) Wages and salaries, annual leave and on-costs**

Liabilities for wages, salaries (including non monetary benefits) and annual leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled. The leave liabilities for staff that transferred to HCF are retained by Sydney Ferries, with HCF submitting claims to Sydney Ferries on a regular basis for leave taken that relates to the leave entitlements accrued by staff up to and including 27 July 2012.

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

Outstanding amounts of payroll tax, workers compensation insurance premiums and superannuation, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

**(ii) Long service leave**

The long service leave liabilities for staff that transferred to HCF are retained by Sydney Ferries, with HCF submitting claims to Sydney Ferries on a regular basis for leave taken that relates to the leave entitlements accrued by staff up to and including 27 July 2012. The liability for long service leave for Sydney Ferries employees is recognised in the provision for employee benefits and measured on a nominal basis having regard to the terms and conditions of these employees.

**(iii) Superannuation**

Sydney Ferries' defined benefit superannuation liability has been assumed by the Crown Entity. The entity accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

The superannuation expense recognised in the Statement of comprehensive income comprises of defined contribution plans (the expense is calculated as a percentage of the employees' salary).

**(i) Insurance**

HCF has appropriate insurance to cover material liability, physical damage, business interruption, and other exposures arising out of normal business operations.

**(j) Taxes**

**(i) Accounting for Goods and Services Tax (GST)**

In relation to GST, revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by Sydney Ferries as a purchaser is not recoverable from the Australian Taxation Office. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. However, the GST components of cash flows arising from investing activities which is recoverable or payable to the Australian Taxation Office are classified as operating cash flows.

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2016

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

#### (j) Taxes (cont'd)

##### (ii) Income Tax

NSW Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime for Government Businesses (Treasury Policy Paper 03-4). Accordingly, tax effect accounting is not prepared.

##### (iii) State Taxes

Sydney Ferries is exempt from land tax.

#### (k) Cash and cash equivalents

Cash is carried at its principal amount and is subject to an insignificant risk of changes in value. Cash includes cash on hand and at bank.

#### (l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Statement of comprehensive income when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

#### (m) Impairment of financial assets

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

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

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

Any reversals of impairment losses are reversed through the Statement of comprehensive income, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

#### (n) Trade and other payables

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

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

### **(o) De-recognition of financial assets and financial liabilities**

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire or if the agency transfers the financial asset:

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

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

A financial liability is de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

### **(p) Property, Plant and Equipment**

#### **(i) Acquisition of assets and capitalisation threshold**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Sydney Ferries. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash equivalent. The deferred payment amount is effectively discounted at an asset-specific rate.

Property, plant and equipment costing \$5,000 or more individually and having a minimum expected useful life of one year or more is capitalised.

Major spares purchased specifically for particular assets or class of assets are, at the time of acquisition, included in the cost of the assets and depreciated accordingly.

#### **(ii) Revaluation of Property, Plant and Equipment**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-1). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Sydney Ferries revalues land and buildings at least once every three years and each other class of property, plant and equipment at least five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last comprehensive revaluation of ferries was completed on 30 June 2013; comprehensive revaluations of freehold land, buildings and improvements were undertaken on 30 June 2014. Interim revaluations were undertaken on ferries, freehold land, buildings and improvements on 30 June 2016.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured at depreciated replacement cost.

The depreciated replacement cost is used to revalue specialised buildings (designed for a specific limited purposes), infrastructure systems and certain plant and equipment. Depreciated 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.

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2016

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

#### (p) Property, Plant and Equipment (cont'd)

##### (ii) Revaluation of Property, Plant and Equipment (cont'd)

For vessels which are specialised assets, depreciated replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provided similar economic benefits.

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

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated. The accumulated depreciation is restated proportionately with the change in the gross carrying amount so that the carrying amount of the asset after revaluation equals its revalued amount. In all other cases the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognised profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the statement of comprehensive income. Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset will be transferred to accumulated funds.

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

An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 20%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20%.

##### (iii) Work in progress

Costs relating to property, plant and equipment that are under construction, or are otherwise incomplete, are shown in the statement of financial position as work in progress and are not depreciated until the assets are brought into service.

##### (iv) Impairment of Property, Plant and Equipment

In respect of a not-for-profit entity, value in use is the depreciated replacement cost. Hence an impairment loss is unlikely to arise on any of Sydney Ferries' assets because the carrying amount (usually optimised replacement cost) is unlikely to exceed the recoverable amount. For vessels (which are specialised assets) held for sale, an impairment loss would arise when they are valued at market value and not disposed of in the same financial year.

##### (v) Depreciation of Property, Plant and Equipment

Property, plant and equipment, excluding freehold land and work in progress, are depreciated over their estimated useful lives as follows:

Asset Class	Life	Method
Freehold buildings	40 Yrs	Straight Line
Plant and Equipment	3 to 30 Yrs	Straight Line
Ferries	20 to 40 Yrs	Straight Line

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

**(p) Property, Plant and Equipment (cont'd)**

**(vi) Dry Docking**

As part of the long-term maintenance program for the fleet, all vessels undergo a major refit (dry docking) on a regular basis (every 5 years for the Freshwater class of ferries and every 2 years for the remainder of the fleet). The cost of these dockings are added to the value of ferries assets and depreciated over the period up to the subsequent docking. The additions will be subject to the next revaluation and adjusted accordingly.

**(vii) Repairs and maintenance**

The cost of routine maintenance and repairs are expensed as incurred, except where they relate to the replacement of a component of an asset that increases the service potential of the asset, in which case the cost is capitalised and depreciated.

**(q) Intangible assets**

**(i) Right to receive**

Sydney Ferries recognises the right to receive ferry spare parts inventory and fuel stocks which Harbour City Ferries (HCF) under its contract must return at the end of that contract. HCF advises Sydney Ferries the value of the right to receive assets as at 30 June each year based on the amount of fuel and of each inventory item and relevant values, of each of the right to receive items at the reporting date. The advice from HCF is used for the purpose of assessing impairment to the right to receive assets as at 30 June each year.

**(ii) Computer software**

The Ferry Operations Customer Information System (FOCIS) is recognised as computer software and amortised over its useful life of 5 years.

**(r) Provisions**

A provision is recognised in the Statement of financial position when Sydney Ferries has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

If the effect of the time value of money is material, provisions are measured using the present value of the expenditure expected to be required to settle the obligation and using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(s) Other liabilities**

Other liabilities include amounts brought to account for the leave amounts owing to HCF for former Sydney Ferries employees, not including superannuation for leave taken in service.

**(t) Comparatives**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

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

### **(u) Allocation between current and non-current assets and liabilities**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being Sydney Ferries' operational cycle. In the case of liabilities where Sydney Ferries does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

### **(v) Fair value hierarchy**

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

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

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

Refer Note 9 and Note 15 for further disclosures regarding fair value measurements of financial and non-financial assets

### **(w) Equity and reserves**

#### **(i) Asset Revaluation Reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of noncurrent assets. This accords with Sydney Ferries policy on the revaluation of property, plant and equipment as discussed in note 1(p). Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve).

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

#### **(i) Effective for the first time in 2015-16**

The accounting policies applied in 2015-16 are consistent with those of the previous financial year.

#### **(ii) Issued but not yet effective**

At reporting date all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to operations and effective for the current annual reporting period have been adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2016 in accordance with Treasury mandated policy, with the exception of AASB 2015-7. NSW Treasury permitted NSW public sector entities to early adopt AASB 2015-7.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

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

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

AASB 16 Leases replaces AASB 117 Leases and some lease-related interpretations, and requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases. The requirements for lessor accounting have been carried forward from AASB 117 largely unchanged. Sydney Ferries is yet to undertake a detailed assessment of the impact of AASB 16. However, it is expected that the first time adoption of AASB 16 for the year ending 30 June 2020 will not have a material impact on the transactions and balances recognised in the financial statements.

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities extends the scope of AASB 124 Related Party Disclosure to include not-for-profit public sector entities. It is expected that the first time adopt of AASB 2015-6 for the year ending 30 June 2016 will not impact on the transactions and balances recognised in the primary financial statements, though there will be significant additional disclosures in the notes to the financial statements.

The impact of the other standards in the period of initial application is not expected be significant.

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 9 and AASB 2014-7 regarding Financial Instruments	1 January 2018
AASB 15, AASB 2014-5 and AASB 2015-8 regarding Revenue from Contracts with Customers	1 January 2018
AASB 1057 and AASB 2015-9 Application of Australian Accounting Standards	1 January 2016
AASB 2014-4 regarding acceptable methods of depreciation and amortisation - Amendments to AASB 116 and AASB 138	1 January 2016
AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle - Amendments to AASB 5, AASB 7, AASB 119, AASB 134	1 January 2016
AASB 2015-2 regarding amendments to AASB 101 (disclosure initiative)	1 January 2016
AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities	1 July 2016
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-profit	1 January 2017

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

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**2. Expenses**

**(a) Employee related expenses**

	Notes	2016 \$'000	2015 \$'000
Wages and salaries <sup>2</sup>		-	230
Redundancy and restructuring		-	260
Annual leave <sup>1</sup>		-	(12)
Long service leave <sup>1</sup>		(7)	(35)
Superannuation - defined contribution plan		-	36
Workers' compensation <sup>1</sup>		(12)	(5)
Payroll tax and fringe benefits tax <sup>1</sup>		-	(6)
<b>Total employee related expenses</b>		<b>(19)</b>	<b>468</b>

<sup>1</sup> Employee related expenses in 2016 (and in 2015) is impacted due to the overprovision of employment liabilities in the prior year.

<sup>2</sup> There are no employees in 2016.

**(b) Depreciation and amortisation expense**

Depreciation	7	13,001	10,969
Amortisation - intangibles (amortisation expense for FOCIS)	8	3,141	3,253
<b>Total depreciation and amortisation expense</b>		<b>16,142</b>	<b>14,222</b>

**(c) Other operating expenses**

Operating leases		70	77
Auditor's remuneration - audit of financial statements		25	51
Marketing		-	5
IT & Communications		-	5
Professional services		7	25
Property lease expenses <sup>1</sup>		-	810
Printing		-	17
Administration		294	609
<b>Total other operating expenses</b>		<b>396</b>	<b>1,599</b>

<sup>1</sup> 2015 property lease expense reflects the settlement of a legal claim which was disclosed as a contingent liability as at 30 June 2014.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**3. Revenue**

(a) Operational revenue

	2016	2015
	\$'000	\$'000
Lease revenue	6,043	5,905
<b>Total operational revenue</b>	<b>6,043</b>	<b>5,905</b>

(b) Other revenue

Interest	339	433
Other revenue	-	39
Grants from Transport for NSW	13,753	3,539
Major periodic maintenance revenue	5,884	4,192
<b>Total other revenue</b>	<b>19,976</b>	<b>8,203</b>

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

	2016	2015
	\$'000	\$'000
Impairment (losses)/reversals on right to receive assets	(2,777)	582
Revaluation decrement on ferries assets	(3,799)	-
Revaluation decrement reversals on land assets	450	-
<b>Total other (losses)/gains</b>	<b>(6,126)</b>	<b>582</b>

**5. Cash and cash equivalents**

	2016	2015
	\$'000	\$'000
Cash	29,196	18,172
<b>Total cash and cash equivalents</b>	<b>29,196</b>	<b>18,172</b>

**6. Trade and other receivables**

	2016	2015
	\$'000	\$'000
Trade debtors	554	-
Interest receivable	164	89
GST receivables	263	24
<b>Total trade and other receivables</b>	<b>981</b>	<b>113</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**7. Property, plant and equipment**

(a) **Classes**

	Land - freehold	Buildings - freehold \$ '000	Plant and equipment \$ '000	Ferries \$ '000	Work in progress \$ '000	TOTAL \$ '000
<b>At 30 June 2016</b>						
Gross carrying amount	3,150	15,482	13,720	231,746	12,961	277,059
Accumulated depreciation and impairment	-	(10,832)	(8,850)	(180,646)	-	(200,328)
<b>Net carrying amount</b>	<b>3,150</b>	<b>4,650</b>	<b>4,870</b>	<b>51,100</b>	<b>12,961</b>	<b>76,731</b>
<b>At 30 June 2015</b>						
Gross carrying amount	2,700	15,482	13,720	283,046	5,749	320,697
Accumulated depreciation and impairment	-	(10,459)	(8,562)	(219,891)	-	(238,912)
<b>Net carrying amount</b>	<b>2,700</b>	<b>5,023</b>	<b>5,158</b>	<b>63,155</b>	<b>5,749</b>	<b>81,785</b>

(b) **Reconciliation of property, plant and equipment**

Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

	Notes	Land - freehold	Buildings - freehold \$ '000	Plant and equipment \$ '000	Ferries \$ '000	Work in progress \$ '000	TOTAL \$ '000
<b>Net carrying amount at start of year</b>		<b>2,700</b>	<b>5,023</b>	<b>5,158</b>	<b>63,155</b>	<b>5,749</b>	<b>81,785</b>
Additions		-	-	-	-	7,212	7,212
MPM additions		-	-	-	5,883	-	5,883
Revaluations	4	450	-	-	(5,598)	-	(5,148)
Depreciation expense	2(b)	-	(373)	(288)	(12,340)	-	(13,001)
<b>Net carrying amount at 30 June 2016</b>		<b>3,150</b>	<b>4,650</b>	<b>4,870</b>	<b>51,100</b>	<b>12,961</b>	<b>76,731</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

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

**(b) Reconciliation of property, plant and equipment (cont'd)**

	Notes	Land - freehold	Buildings - freehold \$ '000	Plant and equipment \$ '000	Ferries \$ '000	Work in progress \$ '000	TOTAL \$ '000
<b>Net carrying amount at start of year</b>		<b>2,700</b>	<b>5,419</b>	<b>5,447</b>	<b>69,247</b>	<b>2,219</b>	<b>85,032</b>
Additions		-	-	-	-	3,530	3,530
MPM additions		-	-	-	4,192	-	4,192
Depreciation expense	2(b)	-	(396)	(289)	(10,284)	-	(10,969)
<b>Net carrying amount at 30 June 2015</b>		<b>2,700</b>	<b>5,023</b>	<b>5,158</b>	<b>63,155</b>	<b>5,749</b>	<b>81,785</b>

**Estimates:**

Management has estimated expected usage and assessed the assets for impairment.

**Valuations:**

(a) Property, plant and equipment were revalued in accordance with the basis of valuation set out in Note 1(p).

(b) The following non-current assets were independently valued by registered valuers:

Class of assets	Date of valuation	Registered valuers
Freehold land	30-Jun-16	Rodney Hyman Asset Services Pty. Ltd.
Buildings	30-Jun-14	MDA Australia Pty. Ltd.
Ferries	30-Jun-16	Rodney Hyman Asset Services Pty. Ltd.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**8. Intangibles**

	Notes	2016 \$'000	2015 \$'000
<b>Right to receive assets</b>			
Right to receive - plant & equipment		4,597	4,914
Right to receive - intangibles		760	1,876
Right to receive - leasehold improvements		13,314	14,015
Right to receive - inventory (incl fuel)		8,549	9,192
<b>Total right to receive assets</b>		<b>27,220</b>	<b>29,997</b>
Computer software		7,330	10,385
<b>Total computer software</b>		<b>7,330</b>	<b>10,385</b>
<b>Total intangibles</b>		<b>34,550</b>	<b>40,382</b>

The contract with Harbour City Ferries for the provision of ferry services provides for assets to be returned to Sydney Ferries at the end of the contract. Those assets have been brought to account as a right to receive intangible asset.

Reconciliation of carrying amounts of each class of intangible at the beginning and at the end of the reporting period are set out below:

	Right to receive \$'000	Computer software \$'000	Total \$'000
<b>At 30 June 2016</b>			
Cost (gross carrying amount)	34,106	15,664	49,770
Accumulated amortisation and impairment	(6,886)	(8,334)	(15,220)
Net carrying amount	<b>27,220</b>	<b>7,330</b>	<b>34,550</b>

<b>At 1 July 2015</b>			
Cost (gross carrying amount)	34,106	15,577	49,683
Accumulated amortisation and impairment	(4,109)	(5,192)	(9,301)
Net carrying amount	<b>29,997</b>	<b>10,385</b>	<b>40,382</b>

	Right to receive \$'000	Computer software \$'000	Total \$'000
<b>Reconciliation</b>			
<b>Year ended 30 June 2016</b>			
Net carrying amount at start of year	29,997	10,385	40,382
Impairment losses - (refer Note 4)	(2,777)	-	(2,777)
Additions	-	86	86
Amortisation	-	(3,141)	(3,141)
Net carrying amount at end of year	<b>27,220</b>	<b>7,330</b>	<b>34,550</b>

<b>Year ended 30 June 2015</b>			
Net carrying amount at start of year	29,415	12,600	42,015
Impairment reversals - (refer Note 4)	582	-	582
Additions	-	1,038	1,038
Amortisation	-	(3,253)	(3,253)
Net carrying amount at end of year	<b>29,997</b>	<b>10,385</b>	<b>40,382</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**9. Fair value measurement of non-financial assets**

**(a) Fair value hierarchy**

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2016.

<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Property, plant and equipment (Note 7)</b>				
Land and buildings	-	-	7,800	7,800
Ferries	-	-	51,100	51,100
<b>Total property, plant and equipment</b>	<b>-</b>	<b>-</b>	<b>58,900</b>	<b>58,900</b>

<b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Property, plant and equipment (Note 7)</b>				
Land and buildings	-	-	7,723	7,723
Ferries	-	-	63,155	63,155
<b>Total property, plant and equipment</b>	<b>-</b>	<b>-</b>	<b>70,878</b>	<b>70,878</b>

**(b) Valuation processes**

Sydney Ferries obtains independent valuations for its land and building assets at least every 3 years and for its other non financial assets at least every 5 years.

Sydney Ferries engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of land was conducted by Preston Rowe Paterson NSW Pty Ltd for 30 June 2014. A comprehensive valuation of buildings was conducted by MDA Australia for 30 Jun 2014. A comprehensive valuation of ferries was conducted by RHAS for 30 June 2013. RHAS was engaged to conduct an interim valuation at 30 June 2016, to determine the fair value of land and buildings using indexation, and ferries using optimised replacement cost approaches.

**(c) Valuation techniques and input**

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

- current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences
- depreciated replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits
- construction costs incurred by the entity
- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions
- 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.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

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

**(c) Valuation techniques and input (cont'd)**

The main level 2 and level 3 inputs used by the valuers for property, plant and equipment are as follows:

- Land – rate per square metre of land area derived from the most comparable land sales evidence are estimated by the valuer based on comparable industrial zoned land sales, adjusted for the specific attributes of the land and taking into consideration the implications of the existing lease over the property. Land value indices have been determined based on a number of sources including NSW Valuer General's published data and statistics in regards to land value movements; industrial land values as an appropriate proxy in determining land value movements over the relevant time period for the subject land.
- Building – current building and civil engineering costs and techniques, measured cost plans were estimated by MDA Australia based on industry practice. Building indices have been determined by reference to building cost guide focusing upon the published changes in construction costs over the period 1 July 2014 to 31 December 2015.
- Vessels – optimised replacement cost, including delivery and professional fees were estimated by RHAS valuers based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the above criteria. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.

**(d) Reconciliation of recurring Level 3 fair value measurements**

<b>2016</b>	<b>Land \$'000</b>	<b>Buildings \$'000</b>	<b>Ferries \$'000</b>	<b>Total \$'000</b>
Fair value as at 1 July 2015	2,700	5,023	63,155	70,878
Additions	-	-	5,883	5,883
Revaluation increment/(decrement) recognised in net result	450	-	(3,799)	(3,349)
Revaluation decrement recognised in other comprehensive income	-	-	(1,799)	(1,799)
Depreciation	-	(373)	(12,340)	(12,713)
<b>Fair value as at 30 June 2016</b>	<b>3,150</b>	<b>4,650</b>	<b>51,100</b>	<b>58,900</b>

<b>2015</b>	<b>Land \$'000</b>	<b>Buildings \$'000</b>	<b>Ferries \$'000</b>	<b>Total \$'000</b>
Fair value as at 1 July 2014	2,700	5,419	69,247	77,366
Additions	-	-	4,192	4,192
Depreciation	-	(396)	(10,284)	(10,680)
<b>Fair value as at 30 June 2015</b>	<b>2,700</b>	<b>5,023</b>	<b>63,155</b>	<b>70,878</b>

**10. Trade and other payables**

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Other creditors and accruals	1,576	704
<b>Total trade and other payables</b>	<b>1,576</b>	<b>704</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

**11. Other liabilities**

	2016 \$'000	2015 \$'000
<b>Current</b>		
Liability for former employees' leave entitlements	4,339	5,780
<b>Total</b>	<b>4,339</b>	<b>5,780</b>

**12. Commitments**

	2016 \$'000	2015 \$'000
<b>(a) Capital Commitments</b>		
Aggregate capital commitments for property, plant & equipment contracted for at reporting date and not provided for:		
Not later than one year	28,262	-
Later than one year	7,379	-
<b>Total (including GST)</b>	<b>35,641</b>	<b>-</b>

Input tax credits of \$3.24 million (2015: nil), expected to be recoverable from the Australian Taxation Office, are included above.

**13. Contingent liabilities**

Contingent liabilities represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is not remote.

Contractual and other claims against Sydney Ferries arise in the ordinary course of operations. The existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably. Sydney Ferries had no contingent liabilities as at 30 June 2016 (2015: \$0.90 million).

**14. Reconciliation of operating result to net cash from operating activities**

**(a) Reconciliation of operating result to net cash from operating activities**

	2016 \$'000	2015 \$'000
Net result	3,374	(1,599)
<b>Adjustments to reconcile net operating result to net cash from operating activities</b>		
Derecognition, impairment losses/ (reversals) and write off of assets	6,126	(582)
Depreciation and amortisation of non-current assets	16,142	14,222
Other non cash items	(5,884)	(4,192)
<b>Changes in assets and liabilities</b>		
Increase / (decrease) in receivables	(869)	486
Decrease / (increase) in trade and other payables	20	(535)
Decrease / (increase) in employee entitlements	-	(427)
Decrease / (increase) in other liabilities	(1,441)	(886)
<b>Net cash flows from operating activities</b>	<b>17,468</b>	<b>6,487</b>

## Sydney Ferries Notes to the financial statements

for the year ended 30 June 2016

### 14. Reconciliation of operating result to net cash from operating activities (cont'd)

#### (b) Non cash financing and investing activities

	2016 \$'000	2015 \$'000
Major periodic maintenance work by HCF	5,884	4,192
<b>Total</b>	<b>5,884</b>	<b>4,192</b>

### 15. Financial instruments

Sydney Ferries' principal financial instruments are outlined below. These financial instruments arise directly from Sydney Ferries' operations or are required to finance Sydney Ferries' operations. Sydney Ferries does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Sydney Ferries' main risks arising from financial instruments are outlined below, together with the Sydney Ferries' objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

Risk management policies are established to identify and analyse the risks faced by Sydney Ferries, to set risk limits and control and monitor risks. Compliance with policies is reviewed by Management on a continuous basis. There have been no changes to Sydney Ferries' exposure to credit, liquidity, market and interest rate risk or objectives, policies and processes for managing the risk and the methods used to measure the risks from the prior year.

#### (a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 2016 \$'000	Carrying Amount 2015 \$'000
Class:				
Cash and cash equivalents	5	n/a	29,196	18,172
Receivables	6	Receivables <sup>1</sup>	718	89
<b>Financial Liabilities</b>	<b>Note</b>	<b>Category</b>		
Class:				
Trade and other payables	10	Financial liabilities <sup>2</sup>	1,576	704
Other liabilities	11	Financial liabilities	4,339	5,780

<sup>1</sup> Excludes statutory receivables and prepayments which are not within the scope of AASB 7.

<sup>2</sup> Excludes statutory payables and unearned revenue which are not within the scope of AASB 7.

#### (b) Credit Risk

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

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

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

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

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**15. Financial instruments (cont'd)**

**(b) Credit risk (cont'd)**

**(i) Cash**

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

**(ii) Receivables**

At the end of the reporting period there were no significant concentrations of credit risk. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. Sydney Ferries' maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the statement of financial position.

	<b>Government</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2016</b>			
Receivables	-	718	718
<b>Total receivables</b>	<b>-</b>	<b>718</b>	<b>718</b>
<b>2015</b>			
Receivables	-	89	89
<b>Total receivables</b>	<b>-</b>	<b>89</b>	<b>89</b>

Sydney Ferries has a small amount of sundry debtors who operate on 14 days payment terms. This is reconciled and reviewed on a monthly basis. There are currently no debtors whose terms are past due or impaired whose terms have been renegotiated.

**(c) Liquidity Risk**

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

No assets have been pledged as collateral. Sydney Ferries' exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

**Sydney Ferries**  
**Notes to the financial statements**

for the year ended 30 June 2016

**15. Financial instruments (cont'd)**

**(c) Liquidity risk (cont'd)**

**(i) Maturity analysis and interest rate exposure of financial liabilities**

Exposure to interest rate risk and the effective interest rates of financial liabilities, both recognised and unrecognised at balance date, are as follows: Trade creditors are non-interest bearing and are normally settled on 30 day terms.

	Financial instruments maturing in					
	Carrying amount \$'000	Contractual cash flows \$'000	1 year of less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000
<b>2016</b>						
<b>Financial liabilities</b>						
Payables	1,576	-	-	-	-	1,576
Other liabilities	4,339	-	-	-	-	4,339
	<b>5,915</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,915</b>
<b>2015</b>						
<b>Financial liabilities</b>						
Payables	704	-	-	-	-	704
Other liabilities	5,780	-	-	-	-	5,780
	<b>6,484</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,484</b>

**(d) Fair Value**

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

**(e) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Sydney Ferries has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which Sydney Ferries operates and the time frame for the assessment (that is, until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the end of the reporting period. The analysis is performed on the same basis as for 2015. The analysis assumes that all other variables remain constant.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2016

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**15. Financial instruments (cont'd)**

(e) **Market risk (cont'd)**

**Interest rate risk**

As Sydney Ferries has repaid all its borrowings, it does not have any interest rate risk exposure at the balance sheet date.

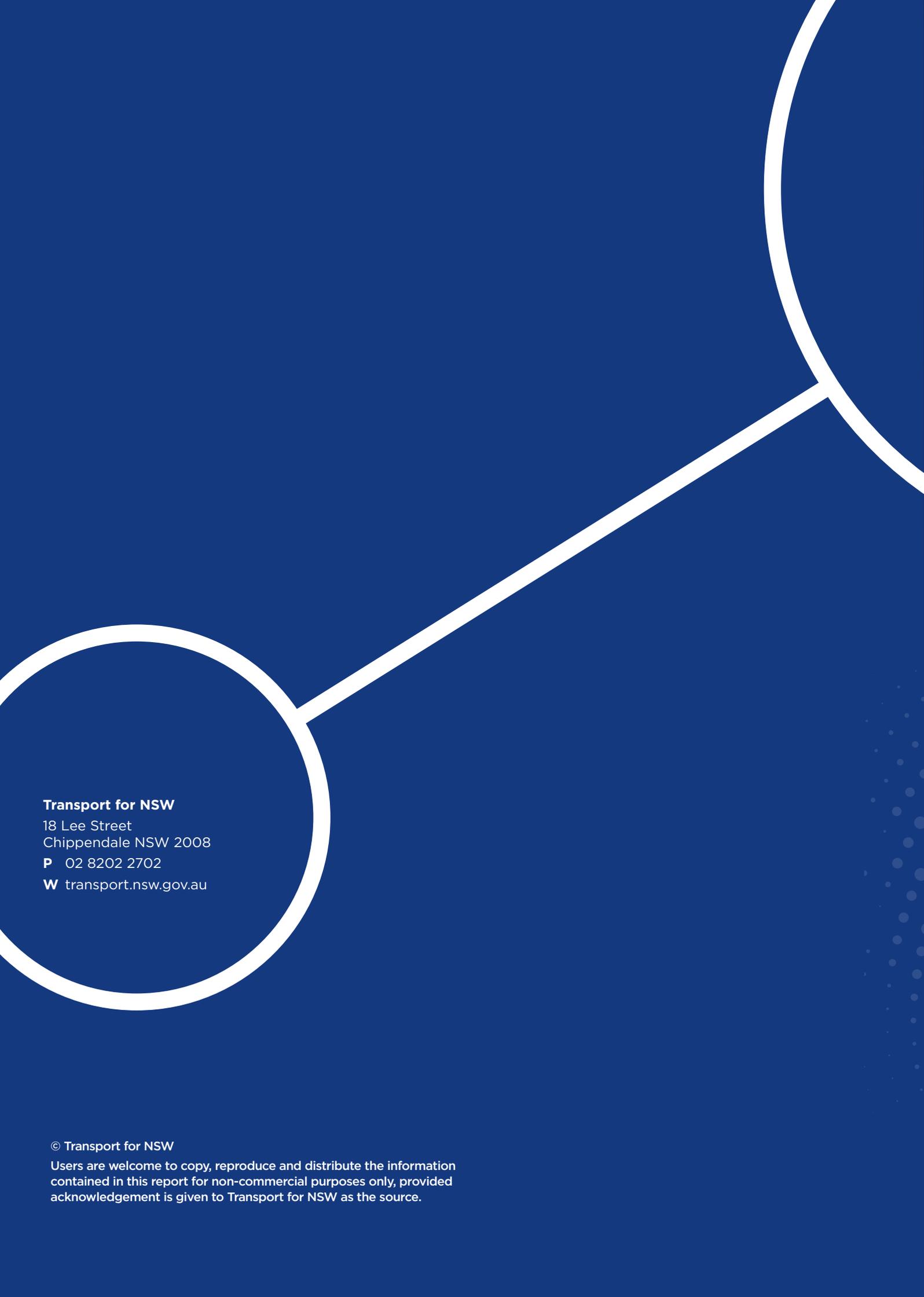
**Sensitivity Analysis**

	Carrying amount \$'000	-1% Surplus / deficit \$'000	Equity \$'000	+1% Surplus / deficit \$'000	Equity \$'000
<b>2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	29,196	(292)	(292)	292	292
<b>2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	18,172	(182)	(182)	182	182

**16. Events occurring after balance date**

RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE). TAHE may eventually hold additional public transport assets for the State, including ferry vessel assets currently held by Sydney Ferries. The transfer of assets is intended to occur progressively over the next few years.

**End of audited financial statements**



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