



# Transport for NSW Annual Report

Volume 2 | 2021-2022

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## **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 Reports 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, Director Financial Reporting on tel: 02 8202 3146 or at [elise.naylor@transport.nsw.gov.au](mailto:elise.naylor@transport.nsw.gov.au).



# Department of Transport

Consolidated Annual Financial Statements

for the year ended 30 June 2022

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**Department of Transport**  
**Statement by the Secretary**  
for the year ended 30 June 2022

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Pursuant to section 7.6 (4) of the *Government Sector Finance Act 2018*, I declare that, in my opinion:

1. The accompanying financial statements present fairly the financial position of the Department of Transport and the consolidated entity as at 30 June 2022, and the financial performance and cash flows for the year ended on that date.
2. The financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and NSW Treasurer's Directions.



Rob Sharp  
**Secretary**

Date: 7 November 2022

**Department of Transport**  
**Statement of comprehensive income**

for the year ended 30 June 2022

	Notes	Consolidated Actual 2022 \$'000	Consolidated Restated 2021 \$'000	Parent Actual 2022 \$'000	Parent Actual 2021 \$'000
<b>Expenses excluding losses</b>					
Operating expenses					
Employee related expenses	2(a)	3,157,079	3,108,428	12,437	990
Other operating expenses	2(b)	4,196,187	3,638,582	5,601	266
Major rail project expense	2(d)	2,400,673	2,571,971	-	-
Depreciation and amortisation	2(e)	3,761,324	3,311,154	-	-
Grants and subsidies	2(f)	1,953,470	2,268,243	67,820	-
Finance costs	2(g)	437,109	391,886	-	-
Other expenses	2(h)	1,809,345	1,502,042	-	-
<b>Total expenses excluding losses</b>		<b>17,715,187</b>	<b>16,792,306</b>	<b>85,858</b>	<b>1,256</b>
<b>Revenue</b>					
Appropriation	3(a)	22,579,248	17,928,727	60,453	-
Sale of goods and services from contracts with customers	3(b)	1,143,606	1,420,630	-	-
Investment revenue	3(c)	144,077	146,776	-	-
Retained taxes, fees and fines	3(d)	12,857	12,711	-	-
Grants and contributions	3(e)	2,626,204	2,909,522	19,337	266
Acceptance by the Crown of employee benefits and other liabilities	3(f)	7,918	41,460	(1,691)	12
Major rail project revenue	3(g)	2,400,673	2,571,971	-	-
Personnel service revenue	3(h)	12,058	-	12,782	978
Other revenue	3(i)	614,104	533,821	-	-
<b>Total revenue</b>		<b>29,540,745</b>	<b>25,565,618</b>	<b>90,881</b>	<b>1,256</b>
Gains/(losses) on disposal	4	(56,977)	(371,036)	-	-
Other gains/(losses)	5	(582,693)	(1,203,985)	-	-
Impairment reversal/(losses) on financial assets	8	(2,011)	(7)	-	-
<b>Net result</b>		<b>11,183,877</b>	<b>7,198,284</b>	<b>5,023</b>	<b>-</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to net result</i>					
Net gains/(losses) in commodity swaps and foreign exchange		7,310	7,939	-	-
<i>Items that will not be reclassified to net result</i>					
Changes in revaluation surplus of property, plant and equipment	14	9,553,108	809,569	-	-
Remeasurement of defined benefit superannuation schemes	20	317,029	117,994	-	-
<b>Total other comprehensive income</b>		<b>9,877,447</b>	<b>935,502</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>21,061,324</b>	<b>8,133,786</b>	<b>5,023</b>	<b>-</b>

The accompanying Notes form part of these financial statements.

See Note 30 for details regarding restated prior year balances.

# Department of Transport

## Statement of financial position

for the year ended 30 June 2022

	Notes	Consolidated Actual 2022 \$'000	Consolidated Restated 2021 \$'000	Consolidated Restated 1 July 2020 \$'000	Parent Actual 2022 \$'000	Parent Actual 2021 \$'000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	7	4,222,753	4,744,963	2,526,218	122	228
Receivables	8	1,924,908	1,570,544	947,195	13,908	30
Inventories	10	29,273	32,969	33,187	-	-
Financial assets at fair value	11	11,666	136,392	120,620	-	-
Non-current assets held for sale	12	29,693	36,200	55,305	-	-
Other financial assets	13	228,467	7,755	3,963	-	-
<b>Total current assets</b>		<b>6,446,760</b>	<b>6,528,823</b>	<b>3,686,488</b>	<b>14,030</b>	<b>258</b>
<b>Non-current assets</b>						
Receivables	8	1,126,412	1,030,358	1,159,040	-	-
Inventories	10	38,319	33,537	32,702	-	-
Financial assets at fair value	11	89,344	602	155	-	-
Other financial assets	13	577,162	634,483	256,027	-	-
Property plant & equipment						
Land and buildings	14	7,177,525	6,639,506	5,516,461	-	-
Plant and equipment	14	3,281,528	3,052,962	6,094,588	-	-
Infrastructure systems	14	167,917,216	150,452,699	178,923,712	-	-
Property, plant and equipment	14	178,376,269	160,145,167	190,534,761	-	-
Right of use assets	15	6,076,785	3,629,379	3,797,051	-	-
Intangible assets	16	1,338,306	1,099,422	1,493,424	-	-
<b>Total non-current assets</b>		<b>187,622,597</b>	<b>166,572,948</b>	<b>197,273,160</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>194,069,357</b>	<b>173,101,771</b>	<b>200,959,648</b>	<b>14,030</b>	<b>258</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	18	3,604,080	4,505,858	2,318,471	2,648	245
Contract liabilities	9	94,701	252,666	225,696	-	-
Borrowings	19	737,098	2,172,546	1,911,715	-	-
Employee benefits	20	875,480	963,964	890,217	6,763	13
Other provisions	21	426,168	89,683	153,036	-	-
Other liabilities	22	943,128	860,151	967,999	-	-
<b>Total current liabilities</b>		<b>6,680,655</b>	<b>8,844,868</b>	<b>6,467,134</b>	<b>9,411</b>	<b>258</b>
<b>Non-current liabilities</b>						
Payables	18	-	-	181,311	-	-
Contract liabilities	9	130,376	97,253	77,839	-	-
Borrowings	19	9,885,416	7,458,992	10,790,134	-	-
Employee benefits	20	537,031	989,475	1,342,604	115	-
Other provisions	21	64,618	59,041	58,762	-	-
Other liabilities	22	16,785,545	16,803,889	14,528,658	-	-
<b>Total non-current liabilities</b>		<b>27,402,986</b>	<b>25,408,650</b>	<b>26,979,308</b>	<b>115</b>	<b>-</b>
<b>Total liabilities</b>		<b>34,083,641</b>	<b>34,253,518</b>	<b>33,446,442</b>	<b>9,526</b>	<b>258</b>
<b>Net assets</b>		<b>159,985,716</b>	<b>138,848,253</b>	<b>167,513,206</b>	<b>4,504</b>	<b>-</b>
<b>EQUITY</b>						
Accumulated funds		123,783,999	112,206,543	121,838,983	4,504	-
Reserves		36,201,717	26,641,710	37,128,622	-	-
Contributed capital		-	-	8,545,601	-	-
<b>Total equity</b>		<b>159,985,716</b>	<b>138,848,253</b>	<b>167,513,206</b>	<b>4,504</b>	<b>-</b>

The accompanying Notes form part of these financial statements.

See Note 30 for details regarding restated prior year balances.

**Department of Transport**  
**Statement of changes in equity**

for the year ended 30 June 2022

<b>Consolidated</b>	<b>Notes</b>	<b>Accumulated funds \$ '000</b>	<b>Asset revaluation surplus \$ '000</b>	<b>Other reserves \$ '000</b>	<b>Contributed capital \$ '000</b>	<b>Total equity \$ '000</b>
<b>Restated balance at 1 July 2021</b>		<b>112,206,543</b>	<b>26,630,883</b>	<b>10,827</b>	<b>-</b>	<b>138,848,253</b>
<b>Net result for the year</b>		<b>11,183,877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,183,877</b>
<b>Other comprehensive income</b>						
Net gains in commodity swaps and foreign exchange		-	-	7,310	-	7,310
Net change in revaluation surplus of property, plant and equipment	14	-	9,553,108	-	-	9,553,108
Remeasurement of defined benefit superannuation schemes	20	317,029	-	-	-	317,029
<b>Total other comprehensive income</b>		<b>317,029</b>	<b>9,553,108</b>	<b>7,310</b>	<b>-</b>	<b>9,877,447</b>
<b>Total comprehensive income for the year</b>		<b>11,500,906</b>	<b>9,553,108</b>	<b>7,310</b>	<b>-</b>	<b>21,061,324</b>
<b>Transactions with owners in their capacity as owners</b>						
Transfers to/(from) reserves to accumulated funds		411	(411)	-	-	-
Administrative restructures	29(b)	(519)	-	-	-	(519)
Equity transfers	29(a)	76,658	-	-	-	76,658
<b>Balance at 30 June 2022</b>		<b>123,783,999</b>	<b>36,183,580</b>	<b>18,137</b>	<b>-</b>	<b>159,985,716</b>
<b>Balance at 1 July 2020</b>		<b>121,842,717</b>	<b>37,143,538</b>	<b>2,888</b>	<b>8,545,601</b>	<b>167,534,744</b>
Restatement of property, plant and Equipment	30	(3,734)	(17,804)	-	-	(21,538)
<b>Restated balance at 1 July 2020</b>		<b>121,838,983</b>	<b>37,125,734</b>	<b>2,888</b>	<b>8,545,601</b>	<b>167,513,206</b>
<b>Net result for the year</b>		<b>7,198,284</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,198,284</b>
<b>Other comprehensive income</b>						
Net gains in commodity swaps and foreign exchange		-	-	7,939	-	7,939
Net change in revaluation surplus of property, plant and equipment	14	-	809,569	-	-	809,569
Remeasurement of defined benefit superannuation schemes	20	117,994	-	-	-	117,994
<b>Total other comprehensive income</b>		<b>117,994</b>	<b>809,569</b>	<b>7,939</b>	<b>-</b>	<b>935,502</b>
<b>Total comprehensive income for the year</b>		<b>7,316,278</b>	<b>809,569</b>	<b>7,939</b>	<b>-</b>	<b>8,133,786</b>
<b>Transactions with owners in their capacity as owners</b>						
Transfers to/(from) reserves to accumulated funds		11,304,420	(11,304,420)	-	-	-
Loss of control of Transport Asset Holding Entity of New South Wales (TAHE)		(29,158,491)	-	-	(8,545,601)	(37,704,092)
Administrative restructures	29(b)	904,993	-	-	-	904,993
Equity transfers	29(a)	360	-	-	-	360
<b>Restated balance at 30 June 2021</b>		<b>112,206,543</b>	<b>26,630,883</b>	<b>10,827</b>	<b>-</b>	<b>138,848,253</b>

The accompanying Notes form part of these financial statements.

See Note 30 for details regarding restated prior year balances.



**Department of Transport**  
**Statement of changes in equity**

for the year ended 30 June 2022

Parent	Notes	Accumulated funds \$ '000	Total equity \$ '000
<b>Balance at 1 July 2021</b>		-	-
<b>Net result for the year</b>		<b>5,023</b>	<b>5,023</b>
Other comprehensive income		-	-
<b>Total other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>5,023</b>	<b>5,023</b>
<b>Transactions with owners in their capacity as owners</b>			
Administrative restructures	29(b)	(519)	(519)
<b>Balance at 30 June 2022</b>		<b>4,504</b>	<b>4,504</b>
<b>Balance at 1 July 2020</b>		-	-
<b>Net result for the year</b>		-	-
Other comprehensive income		-	-
<b>Total other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		-	-
<b>Balance at 30 June 2021</b>		-	-

The accompanying Notes form part of these financial statements.

**Department of Transport**  
**Statement of cash flows**  
for the year ended 30 June 2022

	Notes	Consolidated Actual 2022 \$'000	Consolidated Actual 2021 \$'000	Parent Actual 2022 \$'000	Parent Actual 2021 \$'000
<b>Cash flows from operating activities</b>					
<b>Payments</b>					
Employee related		(3,204,726)	(3,088,268)	(13,558)	(1,199)
Grants and subsidies		(1,515,571)	(1,336,294)	(67,820)	-
Finance costs		(323,512)	(375,474)	-	-
Payments to suppliers		(8,149,417)	(7,385,499)	(10,910)	(277)
<b>Total payments</b>		<b>(13,193,226)</b>	<b>(12,185,535)</b>	<b>(92,288)</b>	<b>(1,476)</b>
<b>Receipts</b>					
Appropriation		22,579,248	17,928,727	60,453	-
Sale of goods and services		3,632,077	4,010,175	-	-
Retained taxes, fees and fines		31,638	32,617	-	-
Interest received		2,828	3,888	-	-
Grants and contributions		2,448,200	2,714,949	19,337	266
Personnel services		11,668	-	12,392	978
<b>Total receipts</b>		<b>28,705,659</b>	<b>24,690,356</b>	<b>92,182</b>	<b>1,244</b>
<b>Net cash flows from operating activities</b>	25	<b>15,512,433</b>	<b>12,504,821</b>	<b>(106)</b>	<b>(232)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment, intangible assets and other assets		223,443	169,562	-	-
Purchases of property, plant and equipment, intangible assets and other assets		(13,727,039)	(9,309,955)	-	-
Proceeds/(purchase) of financial assets		-	12	-	-
Proceeds from sale of investments		137,040	-	-	-
Other		2,737	2,419	-	-
<b>Net cash flows from investing activities</b>		<b>(13,363,819)</b>	<b>(9,137,962)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings and advances		-	55,000	-	-
Repayment of borrowings and advances		(1,942,903)	(834,036)	-	-
Payment of principal portion of lease liabilities		(727,921)	(362,931)	-	-
<b>Net cash flows from financing activities</b>		<b>(2,670,824)</b>	<b>(1,141,967)</b>	<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>					
		<b>(522,210)</b>	<b>2,224,892</b>	<b>(106)</b>	<b>(232)</b>
Opening cash and cash equivalents		4,744,963	2,526,218	228	460
Cash and cash equivalents transferred (out) as a result of loss of control of TAHE		-	(6,147)	-	-
<b>Closing cash and cash equivalents</b>	7	<b>4,222,753</b>	<b>4,744,963</b>	<b>122</b>	<b>228</b>

The accompanying Notes form part of these financial statements.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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### 1. Summary of significant accounting policies

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

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

The administrative arrangements orders issued on 21 December 2021 resulted in the expansion of the Transport cluster with the addition of the ministerial portfolios of Infrastructure, and Cities and Active Transport. Effective 1 April 2022, the branches of Cities Revitalisation and Place (formerly Public Spaces) and Smart Places (formerly Strategy and Innovation) were transferred from the Department of Planning and Environment to the parent entity.

As a result, from 1 April 2022 the parent entity leads a program of investment to address wellbeing, walkability, amenity and street activations in the suburbs and cities of NSW. Further, the parent entity uses data and technology in creative, innovative ways to make better and more enjoyable places for NSW communities.

The parent entity provides personnel services to Transport for NSW. From 1 April 2022, the parent entity also provided personnel services in respect of the employees enabling the functions of the Cities portfolio in the Transport and Infrastructure cluster.

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
- Sydney Ferries
- State Transit Authority of NSW
- Sydney Trains
- NSW Trains
- Residual Transport Corporation
- Sydney Metro

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

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

These consolidated financial statements of Department of Transport for the year ended 30 June 2022 were authorised for issue by the Secretary on the date the accompanying statement was signed.

#### (b) Principles of consolidation

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

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

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

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

In the application of accounting standards and NSW Treasurer's Directions issued under the *Government Sector Finance Act 2018*, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

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

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

- Property, plant and equipment – Note 14
- Leases – Note 15
- Employee benefits – Note 20

### **(d) Statement of compliance**

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

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

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

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

### **(f) Foreign currency translation**

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

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

### **(g) Comparative information**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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

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

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

Rail services	<ul style="list-style-type: none"><li>• Sydney Trains</li><li>• NSW Trains</li><li>• Transport for NSW manages light rail services</li><li>• Sydney Metro</li></ul>
Buses and related services	<ul style="list-style-type: none"><li>• State Transit Authority of NSW until 3 April 2022</li><li>• Transport for NSW manages bus transport services in the metropolitan, outer metropolitan, and rural and regional areas of New South Wales</li><li>• From 3 April 2022, when the last of the State Transit Authority's bus services were transferred to the private sector, Transport for NSW manages all buses and related services performed by private operators</li></ul>
Road and maritime services	<ul style="list-style-type: none"><li>• Transport for NSW</li></ul>
Ferry services	<ul style="list-style-type: none"><li>• Sydney Ferries</li><li>• Transport for NSW manages ferry services performed by private operators</li></ul>
Integrated transport services	<ul style="list-style-type: none"><li>• Department of Transport</li><li>• Transport for NSW</li><li>• Transport Service of New South Wales</li></ul>

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
- (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.

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

##### (i) Effective for the first time in 2022

Several amendments and interpretations apply for the first time in 2022, but do not have a material impact on the financial statements of the consolidated entity.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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

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

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

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

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

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022
AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	1 January 2022
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023
AASB 2022-3 <i>Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15</i>	1 July 2022

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

#### (j) Going concern

The financial statements have been prepared on a going concern basis which assumes that the consolidated entity is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. This is supported by the consolidated entity receiving annual appropriations from the Consolidated Fund through the Appropriation Act 2021. The 2022-23 Transport and Infrastructure Cluster budget papers include a budgeted appropriation of \$27.0 billion for the consolidated entity for the 2022-23 financial year. This allows the consolidated entity to continue its operations and pay its debts alongside the availability of its receivables and cash reserves, noting that \$555.2 million of the current liability relates to non-cash items.

In October 2019, the Minister for Transport and Roads announced that State Transit Authority of NSW (STA) will no longer operate in the Eastern, Western and Northern Regions of Sydney Metropolitan. Private sector operators were invited to run the bus services across the three regions commencing from October 2021. The final region was transferred to a private operator on 3 April 2022. STA will continue to exist as a legal entity until dissolved by Parliament.

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

### (k) Impact of COVID-19 on financial reporting for 2022

The COVID-19 pandemic continues to impact financial reporting for the consolidated entity. Where material, the potential impacts of COVID-19 on the financial statements have been disclosed in the relevant notes where applicable. Financial impacts include the following:

- Decreases in several revenue streams compared to prior year, most notably passenger service revenue (i.e fare box) reduced by \$224.2 million (2021: reduction of \$354.1 million) largely due to reduced patronage of \$147.2 million on rail services (refer to Note 3(b)). COVID-19 was one of the key drivers of the year of year reduction in other revenue streams including toll/E-tag revenue which reduced by \$20.3 million (2021: reduction of \$4.8 million) (Note 3(b)).
- \$304.0 million (2021: \$131.3 million) higher ferry, private bus and Metro contract costs driven by various factors including reduced farebox off-set as a result of reduced patronage (refer to Note 2(h)). Opal revenues improved significantly in the current year, from \$25.9 million recorded for the month of July 2021 to \$103.5 million for the month of June 2022. Opal revenue received from operators prior to the onset of COVID-19 was approximately \$154.0 million a month. From October 2021 there has been a positive improvement in the trend with monthly collections averaging \$71.4 million.
- Certain types of expenses have decreased due to reduced patronage and travel restrictions. For example, COVID-19 was a key driver of \$13.9 million reduction in fuel costs as compared to 2021 (refer Note 2(b)).
- Macroeconomic factors are considered when the consolidated entity in calculating the expected credit losses on receivables. As at 30 June 2022, the impact of COVID-19 was not considered to be significant to the expected credit loss calculated (Note 8).
- In accordance with guidance issued by NSW Treasury, the consolidated entity recognised expenses of \$362.3 million for COVID-19 construction pause claims for the year ended 30 June 2022. Out of the total claims, \$222.5 million was settled by 30 June 2022. In respect of the remaining unsettled claims, a provision of \$139.8 million has been recognised as at 30 June 2022 (refer Note 21).
- The sensitivity of defined benefit superannuation accrued benefits to changes in the fair value of fund assets is presented in Note 20.

### (l) Superannuation on annual leave loading

The consolidated entity has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409*. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period. This position will be re-assessed in future reporting periods as new information comes to light on this matter.

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

for the year ended 30 June 2022

**2. Expenses excluding losses**

**(a) Employee related expenses**

	<b>Consolidated 2022 \$'000</b>	<b>Consolidated 2021 \$'000</b>	<b>Parent 2022 \$'000</b>	<b>Parent 2021 \$'000</b>
Salaries and wages (including annual leave) <sup>1</sup>	2,613,932	2,563,145	12,578	935
Superannuation - defined benefit plans	29,940	33,173	10	-
Superannuation - defined contribution plans	241,878	212,277	951	9
Long service leave expense/ (expense reversal)	(19,828)	67,283	(1,843)	12
Workers' compensation insurance	56,492	39,659	110	-
Payroll tax and fringe benefit tax	160,112	155,281	630	34
Redundancy payments	60,985	36,199	-	-
Other	13,568	1,411	1	-
<b>Employee related expenses</b>	<b>3,157,079</b>	<b>3,108,428</b>	<b>12,437</b>	<b>990</b>

<sup>1</sup>2021 had (\$106.2 million) of salaries and wages (including annual leave) recoveries reclassified from Note 2(b) Other operating expenses.

Employee related costs of \$867.1 million (2021: \$570.5 million) (parent entity: nil (2021: nil)) have been capitalised in property, plant and equipment and intangible assets, and are excluded from the above.



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

for the year ended 30 June 2022

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

**(b) Other operating expenses**

	<b>Consolidated 2022 \$'000</b>	<b>Consolidated 2021 \$'000</b>	<b>Parent 2022 \$'000</b>	<b>Parent 2021 \$'000</b>
Auditor's remuneration - audit of financial statements	2,825	2,763	273	266
Access fees <sup>1,2</sup>	273,358	20,170	-	-
Advertising and marketing	39,523	36,670	-	-
Cashback refund - M4/M5	105,810	124,100	-	-
Cleaning waste and pest control	98,167	106,658	-	-
Communications	34,506	29,792	-	-
Consultants and other contractors <sup>2</sup>	1,350,621	1,007,350	923	-
Corporate management fees	200,485	224,111	-	-
Electricity, gas and water	134,012	140,481	-	-
Expenses relating to short term leases	1,501	2,704	-	-
Expenses relating to low value assets	667	2,818	-	-
Variable lease payments not included in lease liabilities	7,786	9,439	-	-
External maintenance costs	619,756	585,986	-	-
Fleet and equipment hire and leasing charges <sup>2</sup>	92,286	103,252	-	-
Fuel costs	34,388	48,341	-	-
General expenses <sup>2</sup>	235,193	290,574	4,287	-
Information technology	363,055	331,461	-	-
Insurance	71,651	56,212	-	-
Internal audit fees	1,797	1,297	-	-
Land and buildings remediation	1,821	5,769	-	-
Legal services	28,019	21,425	5	-
Materials	212,863	210,014	12	-
Office expenses	82,343	78,146	44	-
Payments to councils and external bodies	3,402	2,631	-	-
Property charges	65,977	55,705	-	-
Royalties and commissions	3,067	3,075	-	-
Security costs	37,950	40,055	-	-
Special number plates concession fees	33,032	32,787	-	-
Sydney Harbour Tunnel operating expenses	36,891	39,594	-	-
Taxes, rates and related charges	3,983	4,588	-	-
Travel expenses	19,452	20,614	57	-
<b>Other operating expenses</b>	<b>4,196,187</b>	<b>3,638,582</b>	<b>5,601</b>	<b>266</b>

<sup>1</sup>Access fees in the current year mainly relate to payments made to Transport Asset Holding Entity of New South Wales (TAHE) for access rights to rail network, stations, rolling stock and property.

<sup>2</sup>2021 had the following reclassifications in other operating expenses:

- \$20.2 million of access fees reclassified from fleet and equipment hire and leasing charges to access fees within other operating expenses.
- \$7.9 million of Nightride bus services expenses reclassified from consultants and other contractor costs to Note 2(h) Other Expenses.
- (\$106.2 million) of salaries and wages (including annual leave) recoveries reclassified from general expenses to Note 2(a) Employee related expenses.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

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

#### (c) Maintenance

Maintenance includes employee related maintenance (i.e. employee expenses associated with day-to-day servicing costs) presented as part of Note 2(a) Employee related expenses. A reconciliation of the maintenance costs included in the total operating expenses is presented below:

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Operational maintenance	561,397	536,889	-	-
Fleet hire and other rental charges	94,620	78,091	-	-
Corporate services, information technology and telecommunications	41,117	20,914	-	-
Contractors and materials	493,793	554,504	-	-
Other	41,222	24,654	-	-
<b>Maintenance expense</b>	<b>1,232,149</b>	<b>1,215,052</b>	-	-
Employee related maintenance expense included in Note 2(a)	391,653	452,980	-	-
<b>Total maintenance expense including employee related</b>	<b>1,623,802</b>	<b>1,668,032</b>	-	-

#### (d) Major rail project expenses

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Notes				
Professional service contractors <sup>1</sup>	2,012,064	2,065,810	-	-
Property acquisition	27,530	30,817	-	-
Insurance	1,745	1,597	-	-
Legal services	2,294	2,652	-	-
Rent and other related expenses	10,990	12,063	-	-
Information technology and telecommunication expenses	16,931	32,297	-	-
Employee related expenses	221,163	241,107	-	-
Other	107,956	185,628	-	-
<b>Major rail project expenses</b>	<b>2,400,673</b>	<b>2,571,971</b>	-	-
<b>Gross amount due from TAHE and billing to date are as follows:</b>				
Costs incurred	2,400,673	2,571,971	-	-
Billings to date	(2,285,208)	(2,233,763)	-	-
<b>Current year gross amount due from TAHE</b>	<b>115,465</b>	<b>338,208</b>	-	-
<b>Accumulated gross amount due from TAHE</b>	<b>453,673</b>	<b>338,208</b>	-	-

<sup>1</sup>2021 had \$16.5 million of other finance costs reclassified to Note 2(g) Finance costs.

Major rail project expenses relate to construction activities performed by the consolidated entity on behalf of TAHE.

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

for the year ended 30 June 2022

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

**(e) Depreciation and amortisation**

	<b>Consolidated 2022 \$'000</b>	<b>Consolidated Restated 2021 \$'000</b>	<b>Parent 2022 \$'000</b>	<b>Parent 2021 \$'000</b>
<b>Depreciation:</b>				
<b>Infrastructure systems:</b>				
Road and maritime infrastructure systems	2,307,701	2,210,845	-	-
Rail infrastructure systems	245,831	245,810	-	-
<b>Buildings:</b>				
Buildings	53,874	52,133	-	-
<b>Plant and equipment:</b>				
Rolling stock	60,183	58,303	-	-
Ferries	10,046	10,682	-	-
Buses	42,038	45,103	-	-
Plant and equipment	153,209	192,993	-	-
<b>Depreciation - property, plant and equipment</b>	<b>2,872,882</b>	<b>2,815,869</b>	-	-
Right of use assets	683,816	287,688	-	-
<b>Depreciation - right of use assets</b>	<b>683,816</b>	<b>287,688</b>	-	-
<b>Depreciation</b>	<b>3,556,698</b>	<b>3,103,557</b>		
<b>Amortisation:</b>				
Intangible assets	204,626	207,597	-	-
<b>Amortisation</b>	<b>204,626</b>	<b>207,597</b>	-	-
<b>Depreciation and amortisation</b>	<b>3,761,324</b>	<b>3,311,154</b>	-	-

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

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

for the year ended 30 June 2022

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

**(f) Grants and subsidies**

	<b>Consolidated 2022 \$'000</b>	<b>Consolidated 2021 \$'000</b>	<b>Parent 2022 \$'000</b>	<b>Parent 2021 \$'000</b>
Taxi Transport Subsidy Scheme	39,403	37,262	-	-
Community transport groups	89,276	86,586	-	-
Private vehicle conveyance	11,357	8,715	-	-
Carparks and interchanges	3,072	4,771	-	-
Grants to local councils - maintenance of transport infrastructure <sup>1</sup>	1,092,474	911,420	-	-
Grants to local councils & other parties - transfer of infrastructure assets <sup>2</sup>	437,532	931,949	-	-
National transport regulators	7,219	8,104	-	-
Road safety grant to NSW Police	24,650	26,600	-	-
Others <sup>3</sup>	107,797	109,223	67,820	-
Rail services and capital works <sup>4</sup>	139,539	134,483	-	-
Point to point assistance package	1,151	9,130	-	-
<b>Grants and subsidies</b>	<b>1,953,470</b>	<b>2,268,243</b>	<b>67,820</b>	<b>-</b>

<sup>1</sup>Grants to local councils for maintenance of transport infrastructure in the current year included Fixing Local Roads, Fixing Country Bridges and Local Roads - Natural Disasters programs.

<sup>2</sup>Grants to local councils & other parties of \$437.5 million (2021: \$931.9 million) include the transfer of Northern Road Stage 2 to 6 capital works of \$103.6 million (2021: \$179.4 million), M6 third party works \$43.1 million (2021: nil), Parramatta Light Rail third party works \$171.1 million (2021: nil), Western Sydney Parklands assets of nil (2021: \$252.0 million), Ellerton Drive Extension capital works of nil (2021: \$86.2 million), Bringelly Road upgrade of nil (2021: \$44.5 million) and third party works of nil (2021: \$52.0 million) for utility providers.

<sup>3</sup>Others of \$67.8 million (2021: nil) in the parent entity mainly represent grant payments to Centennial Park and Moore Park Trust, Royal Botanic Gardens and Domain Trust, Parramatta Park Trust, Western Sydney Parklands Trust and Place Management NSW.

<sup>4</sup>Rail services and capital works of \$139.5 million (2021: \$134.5 million) represent grant payments to TAHE.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(g) Finance costs**

	Notes	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Interest expense from lease liabilities	15	307,634	249,531	-	-
Interest expense from finance liabilities at amortised cost <sup>1</sup>		71,141	123,792	-	-
Interest expenses on NSW TCorp borrowings		-	102	-	-
Other finance costs <sup>2,3</sup>		58,334	18,461	-	-
<b>Finance costs</b>		<b>437,109</b>	<b>391,886</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Financial liabilities at amortised cost of \$71.1 million (2021: \$123.8 million) relate to financial liabilities for service concession arrangements. Refer to Note 14 for further details on service concession arrangements.

<sup>2</sup>Other finance costs include \$34.2 million (2021: \$0.3 million) from the unwinding of discounting on non-current receivables and non-current other liabilities.

<sup>3</sup>2021 had \$16.5 million of other finance costs reclassified from Note 2(d) Major rail project expenses.

No borrowing costs were capitalised in property, plant and equipment and intangible assets in 2022 and 2021.

**(h) Other expenses**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Bus contract payments - metropolitan and outer metro bus operators	1,034,460	753,518	-	-
Bus contract payments - rural and regional bus operators	440,996	424,685	-	-
Major events - hire of bus and rail services	4,312	4,012	-	-
Ferry contract payments	132,719	126,996	-	-
Light rail contract payments	82,910	101,523	-	-
Nightride bus services <sup>1</sup>	17,138	14,109	-	-
Metro contract payments	96,810	77,199	-	-
<b>Other expenses</b>	<b>1,809,345</b>	<b>1,502,042</b>	<b>-</b>	<b>-</b>

<sup>1</sup>2021 had \$7.9 million of Nightride bus services expenses reclassified from Note 2(b) Other operating expenses.

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

**Recognition and measurement**

**(i) Employee related expenses**

Employee related expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies. For further details on the recognition and measurement of employee related expenses refer to employee benefits Note 20.

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.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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

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

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

Other operating expenses generally represent the day-to-day running costs incurred in the normal operations of the consolidated entity. The recognition and measurement policy for non-employee provision expenses is detailed in Note 21.

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

##### (iii) Major rail project expenses

The consolidated entity manages the design and construction of major rail projects on behalf of TAHE. TAHE receives a direct equity injection from the Crown in the right of the State of New South Wales to fund its contract activities with the consolidated entity. Under this funding arrangement, TAHE usually reimburses the consolidated entity for construction costs incurred either monthly or on a deferred basis, in line with the consolidated entity's payment schedule to any private sector operators. Contract costs relating to satisfied or partly satisfied performance obligations are recognised as expenses when incurred.

##### (iv) 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.

##### (v) Finance costs

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

##### (vi) Insurance

The consolidated entity arranges insurance cover through a combination of the NSW Treasury Managed Fund, commercial insurers and self-insurance. The expense (premium) is determined by the Fund Manager based on past claims experience. Self-insurance is used for workers' compensation insurance cover by entities that hold a self-insurance licence with the State Insurance Regulatory Authority. The cost of insurance is expensed in the period to which the insurance cover relates.

##### (vii) Lease expenses

The consolidated entity recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

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

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

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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

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

##### (viii) Other expenses

Other expenses include payments to bus, ferry, light rail and metro operators for the provision of bus, ferry, light rail and metro 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.

### 3. Revenue

#### Summary of compliance with financial directives

##### (a) Appropriation

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Appropriations Act <sup>1</sup>	23,219,953	20,343,553	-	-
<b>Other appropriations</b>				
Other variations made to the appropriations during the financial year:				
- Section 4.9 of the GSF Act (transfer of functions between GSF agencies)	200,799	-	179,724	-
- Section 4.11 of the GSF Act (Variations of annual appropriations for Commonwealth grants)	2,519	-	-	-
- Section 34 of the Appropriation Act: COVID-19 Pandemic Variance	48,836	570,614	-	-
- Other (Section 32.2 of the Appropriation Act: Offset Savings - insufficient fund)	(293,000)	-	-	-
<b>Total spending authority from parliamentary appropriations, other than deemed appropriations</b>	<b>23,179,107</b>	<b>20,914,167</b>	<b>179,724</b>	<b>-</b>
<b>Add:</b>				
Spending authority from deemed appropriations during the year	82,781	-	82,781	-
Unutilised spending authority from deemed appropriations in prior years	-	-	-	-
<b>Total</b>	<b>23,261,888</b>	<b>20,914,167</b>	<b>262,505</b>	<b>-</b>
<b>Less: Total expenditure out of Consolidated Fund</b>			<b>241,606</b>	<b>-</b>
<b>Variance</b>			<b>20,899</b>	<b>-</b>

The above note is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed). Parliamentary Appropriations received have been used up during the financial year.

<sup>1</sup>This includes only amounts appropriated for transfer into the Transport for NSW Fund's bank account. The Minister for Transport and Roads has discretion to apportion the appropriations between the services of Transport for NSW and the Department of Transport. In the absence of any apportionment by the Minister, the appropriations are considered as part of the Transport for NSW Fund.

The following additional amounts have been appropriated and represent a cumulative spending authority that is available for immediate use for the purposes of the Transport for NSW Fund but have not been transferred to the bank account established for the Transport for NSW Fund:

#### Appropriated amount hypothecated to the Transport for NSW Fund

Authority	Special Deposit Account	2022 \$'000	2021 \$'000
Transport Administration Act 1988	Transport for NSW Fund	6,341,881	5,861,293
		<b>6,341,881</b>	<b>5,861,293</b>

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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### 3. Revenue (cont'd)

#### (a) Appropriation (cont'd)

The Appropriation Act 2021 (Appropriations Act) and subsequent variations appropriates the sum of \$23,059.8 million to the Minister for Transport and Roads out of the Consolidated Fund for the services of Department of Transport for the year ended 30 June 2022. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Department of Transport and entities that it is administratively responsible for, including:

Transport for NSW  
Transport Service of New South Wales  
Sydney Ferries  
State Transit Authority of NSW  
Sydney Trains  
NSW Trains  
Residual Transport Corporation  
Sydney Metro  
Office of Transport Safety Investigations  
Centennial Park and Moore Park Trust  
Luna Park Reserve Trust  
Parramatta Park Trust  
Royal Botanic Gardens and Domain Trust  
Western Sydney Parklands Trust  
Place Management NSW.

The responsible Minister for each entity above is taken to have been given an appropriation out of the Consolidated Fund under the authority of Section 4.7 of the *Government Sector Finance Act 2018*, at the time the entity receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the entity. The spending authority of the responsible Minister from deemed appropriation money has been delegated or sub-delegated to officers of the entity that receives or recovers the deemed appropriation money for its own services.

The delegation/sub-delegations for the years ended 30 June 2022 and 30 June 2021, authorising officers of the Department of Transport to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but do not specify an aggregate expenditure limit for the Department of Transport. However, as it relates to expenditure in reliance on a sum appropriated through an annual Appropriations Act, the delegation/sub-delegations are referable to the overall authority to spend set out in the relevant Appropriations Act. The individual transaction limits have been properly observed. The information in relation to the limit from the Appropriations Act is disclosed in the summary of compliance table above.

The summary of compliance has been prepared on the basis of aggregating the spending authorities of both the Minister for Transport and Roads for the services of Department of Transport and the responsible Ministers for the services of the entities listed above that receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made.



## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

### 3. Revenue (cont'd)

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

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Passenger service revenue <sup>1</sup>	429,970	654,217	-	-
Toll revenue including E-tag	110,907	131,220	-	-
Number plates <sup>2</sup>	176,995	175,731	-	-
Fees earned from road and maritime infrastructure assets	78,543	74,392	-	-
Works and services including construction contract revenue	38,786	43,472	-	-
Third party insurance data access charges	5,078	4,907	-	-
Advertising	25,007	24,018	-	-
Publications	7,883	6,511	-	-
Fees for services rendered including salary recoupments	151,079	159,661	-	-
Other <sup>3</sup>	119,358	146,501	-	-
<b>Sale of goods and services</b>	<b>1,143,606</b>	<b>1,420,630</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Reduced passenger service revenue (2022: \$430.0 million; 2021: \$654.2 million) reflects the transfer of State Transit Authority's remaining bus services to private sector operators, and a decline in patronage as a result of capacity restrictions on public transport services and border closures during the COVID-19 pandemic.

<sup>2</sup>2021 had \$1.0 million of other income reclassified to Note 3(i) Other revenue.

<sup>3</sup>Other revenue of \$119.4 million mainly includes revenue from Department of Planning and Environment for Parramatta Road capital works, Glenn Park funding and leases, WestConnex-Project Pearl cost reimbursement from the Crown Finance Entity, Opal revenue from electronic ticketing system, sale of rail and quarry products, revenue from various miscellaneous services such as license fees, registrations and inspections. Other revenue of \$146.5 million in the prior year mainly includes revenue from City of Sydney Council for third party works, milestone payments on the Tamworth Rail Line from the Department of Regional NSW, revenue from Regional Roads Victoria contribution to capital works on Murray River Crossings, revenue from Department of Planning and Environment for Tuncurry Travel Lift capital works, Opal revenue from electronic ticketing system, sale of rail and quarry products, revenue from various miscellaneous services such as license fees, registrations and inspections.

#### (c) Investment revenue

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Rental income <sup>1</sup>	85,168	76,398	-	-
TCorp IM Funds designated at fair value through profit or loss	3,047	14,029	-	-
Interest income from financial assets at amortised cost <sup>2</sup>	24,332	26,542	-	-
Finance income on the net investment in the lease	-	3	-	-
Amortisation of zero interest Sydney Harbour Tunnel loan	18,486	12,830	-	-
Ferry lease revenue	5,404	5,722	-	-
M2 and Eastern Distributor promissory notes <sup>2</sup>	7,640	11,252	-	-
<b>Investment revenue</b>	<b>144,077</b>	<b>146,776</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Rental income is related to properties that are primarily held to support the core transport functions of the consolidated entity. The leasing of parts of these properties (2022: \$85.2 million; 2021: \$76.4 million) is therefore incidental to the core function of the consolidated entity. Accordingly, these properties are reported as property, plant and equipment (Note 14) in the Statement of financial position.

<sup>2</sup>2021 had the following reclassifications in investment revenue: a) \$16.5 million of interest income reclassified from Note 3(g) Major rail project revenue; b) \$11.3 million interest income on M2 and Eastern Distributor promissory notes reclassified from Note 3(i) Other revenue.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

### 3. Revenue (cont'd)

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

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Fines	12,779	12,663	-	-
Fees <sup>1</sup>	78	48	-	-
<b>Retained taxes, fees and fines</b>	<b>12,857</b>	<b>12,711</b>	<b>-</b>	<b>-</b>

<sup>1</sup>2021 had \$19.9 million of insurance claims income reclassified to Note 3(i) Other revenue

#### (e) Grants and contributions

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Community transport grants <sup>1</sup>	79,055	77,706	-	-
NSW government agencies - others (non-transport) <sup>2</sup>	568,200	385,640	-	-
Private firms and individuals	46,094	24,606	-	-
Grants from Transport for NSW	-	-	16,507	266
The Crown in the right of the State of New South Wales <sup>3</sup>	1,910,335	2,410,408	-	-
Local councils	1,818	83	-	-
Other government agencies	20,702	11,079	2,830	-
<b>Grants and contributions</b>	<b>2,626,204</b>	<b>2,909,522</b>	<b>19,337</b>	<b>266</b>

<sup>1</sup>Community transport grants of \$79.1 million (2021: \$77.7 million) represent grants received from the Department of Family and Community Services for the Commonwealth Home Support Program.

<sup>2</sup>Other NSW Government grants of \$568.2 million (2021: \$385.6 million) include a capital contribution of \$254.7 million (2021: \$130.4 million) for natural disaster restoration works from Resilience NSW; \$206.3 million (2021: \$223.1 million) for shared services from Service NSW; \$36.7 million (2021: nil) land transfer from Department of Planning and Environment; \$33.5 million (2021: nil) for Digital Restart Funding from Department of Customer Service; \$18.1 million (2021: nil) land acquisition at nil value from Sydney Water; \$10.6 million (2021: nil) Personal Protection Equipment from Ministry of Health; \$6.2 million (2021: \$15.2 million) for Memorial Avenue Windsor Road Planning from Department of Planning and Environment; nil (2021: \$13.4 million) for CBD Revitalisation Fund from NSW Treasury and nil (2021: \$3.5 million) for Moorebank Intermodal project from Commonwealth Government.

<sup>3</sup>Grants of \$1,910.3 million (2021: \$2,410.4 million) from the Crown in the right of the State of NSW were provided for Sydney Metro City and Southwest project funded by Restart NSW \$1,328.2 million (2021: \$1,036.6 million); Transport for NSW capital program \$209.2 million (2021: \$373.5 million); redundancies \$51.3 million (2021: \$27.2 million); Berry to Bomaderry upgrade \$41.9 million (2021: \$102.7 million); Albion park rail bypass \$41.5 million (2021: \$141.0 million); Parramatta Light Rail \$36.2 million (2021: \$510.7 million) and other projects \$202.0 million (2021: \$218.7 million).

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

for the year ended 30 June 2022

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

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

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Superannuation - defined benefit	10,773	9,020	10	-
Long service leave	(3,375)	31,873	(1,703)	12
Payroll tax	520	567	2	-
<b>Acceptance by the Crown of employee benefits and other liabilities</b>	<b>7,918</b>	<b>41,460</b>	<b>(1,691)</b>	<b>12</b>

**(g) Major rail project revenue**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Major rail project revenue <sup>1</sup>	2,400,673	2,571,971	-	-
<b>Major rail project revenue</b>	<b>2,400,673</b>	<b>2,571,971</b>	<b>-</b>	<b>-</b>

<sup>1</sup>2021 had \$16.5 million of interest income reclassified to Note 3(c) Investment revenue.

Major rail project revenue relates to construction activities performed by the consolidated entity on behalf of TAHE.

**(h) Personnel service revenue**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Fee for personnel services	12,058	-	12,782	978
<b>Personnel service revenue</b>	<b>12,058</b>	<b>-</b>	<b>12,782</b>	<b>978</b>

**(i) Other revenue**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Recognition of assets	14	1,561	3,422	-
Revenue related to service concession arrangements <sup>1</sup>	555,173	507,601	-	-
Other <sup>2</sup>	57,370	22,798	-	-
<b>Other revenue</b>	<b>614,104</b>	<b>533,821</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Revenue related to service concession arrangements \$555.2 million (2021: \$507.6 million) reflects the progressive unwinding of the 'grant of right to operate' liability (Note 22) over the remaining period of the arrangement. Refer to Note 14 for further details on service concession arrangements.

<sup>2</sup>2021 had the following reclassifications in other revenue:

- \$19.9 million of insurance claims income from Note 3(d) Retained taxes, fees and fines
- \$11.3 million interest income on M2 and Eastern Distributor promissory notes to Note 3(c) Investment revenue
- \$1.0 million of other income from Note 3(b) Sale of goods and services from contracts with customers

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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### 3. Revenue (cont'd)

#### Recognition and measurement

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

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

#### (i) Parliamentary appropriations and contributions

Parliamentary appropriations and contributions are generally recognised as income when the consolidated entity obtains control over the assets comprising the appropriations/contributions. Control over appropriations/contributions is normally obtained upon the receipt of cash. At the end of the financial year unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund in the next financial year. The liability is disclosed under other liabilities (Note 22).

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

Revenue from sale of goods is recognised as and when the consolidated entity satisfies a performance obligation by transferring the promised goods. The type of goods sold by the consolidated entity is outlined in Note 3(b).

The consolidated entity typically satisfies its performance obligations when the control of the goods is transferred to the customers. The payments are typically due when performance obligations have been satisfied.

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

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

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

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

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

#### (iv) Investment revenue

#### Interest income

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

#### Rental income

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

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

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

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

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

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

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

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

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

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

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

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

##### **(vi) Major rail project revenue**

Major rail project revenue is recognised in the Statement of comprehensive income in proportion to the stage of completion of these TAHE 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 TAHE for these rail projects are disclosed as an asset, and the amounts due to TAHE are disclosed as a liability.

##### **(vii) Personnel service revenue**

Revenue from the rendering of personnel services is recognised when the consolidated entity satisfies the performance obligation by transferring the promised services and only to the extent that the associated recoverable expenses are recognised.

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

for the year ended 30 June 2022

**4. Gains/(losses) on disposal**

	Notes	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Proceeds from asset sales		5,316	3,085	-	-
Net carrying amount of property, plant and equipment disposed <sup>1</sup>	14	(136,172)	(388,590)	-	-
Net carrying amount of intangible assets disposed	16	(9,303)	(573)	-	-
Net gain on disposal of non-current assets held for sale		80,931	16,628	-	-
Net gain/(loss) on disposal of right of use assets		2,251	(1,586)	-	-
<b>Losses on disposal</b>		<b>(56,977)</b>	<b>(371,036)</b>	-	-

<sup>1</sup>2021 had (\$382.9 million) reclassified from Note 5 Other gains/(losses): property, plant and equipment written off of (\$354.9 million) infrastructure assets replaced and (\$28.0 million) write off of asset under construction due to abandonment of various capital projects.

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

	Notes	Consolidated 2022 \$'000	Consolidated Restated 2021 <sup>1</sup> \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Revaluation decrement <sup>1</sup>	14,30	(773,063)	(1,336,174)	-	-
Impairment reversals/(losses)	14	(1,966)	125,370	-	-
<b>Property, plant and equipment</b>		<b>(775,029)</b>	<b>(1,210,804)</b>	-	-
Impairment losses	15	-	(10,135)	-	-
Gain arising from lease modifications		142	578	-	-
Derecognition of right of use assets and lease liabilities with Property NSW <sup>2</sup>		104,107	-	-	-
<b>Right of use assets</b>		<b>104,249</b>	<b>(9,557)</b>	-	-
Impairment reversals/(losses)		-	(7,222)	-	-
<b>Assets held for sale</b>		-	<b>(7,222)</b>	-	-
Bad debts recovered		1	52	-	-
Impairment reversals/(losses)	16	1,461	(1,825)	-	-
Realised and unrealised gains on derivatives		94,418	155	-	-
Realised and unrealised gains/(losses) on other financial instruments		(7,793)	25,216	-	-
<b>Other</b>		<b>88,087</b>	<b>23,598</b>	-	-
<b>Other losses</b>		<b>(582,693)</b>	<b>(1,203,985)</b>	-	-

<sup>1</sup> Revaluation decrement recognised as a loss is in relation to revaluation of properties acquired for Sydney Metro infrastructure projects that are currently in progress. Consequently, prior year balances were also restated to appropriately reflect the results of the revaluation (refer to Note 30).

<sup>2</sup>The net gains(losses) are recognised from the derecognition of the right of use asset and lease liability with Property NSW as at 30 June 2022. Please refer to Note 15 for further details on the derecognition.

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

for the year ended 30 June 2022

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**5. Other gains/losses (cont'd)**

The net gain/(loss) from the derecognition of right of use assets and lease liabilities with Property NSW as at 30 June 2022 is reconciled as below:

	<b>Consolidated</b>	<b>Parent</b>
	<b>2022</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Right of use assets</b>		
Gross carrying value	894,073	-
Less: accumulated depreciation and accumulated impairment provision	(197,321)	-
<b>Net book value</b>	<b>696,752</b>	<b>-</b>
Lease liabilities	800,859	-
<b>Net gain from derecognition of Property NSW leases</b>	<b>104,107</b>	<b>-</b>

**Recognition and measurement**

Gains and losses include gains and losses on disposals and fair value adjustments to physical and financial assets, and financial liabilities. Other gains and losses disclosed are those recognised in the net result arising from property, plant and equipment revaluations, write down of inventories, gain/loss resulting from financial assets and liabilities and reversal of unused provisions.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**6. Service Group Statements**

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	2022	Restated 2021	2022	2021	2022	Restated 2021	2022	2021	2022	2021	2022	Restated 2021
Expenses and Income	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>												
<b>Operating expenses</b>												
Employee related expenses	1,640,774	1,644,964	-	-	-	-	-	-	1,516,305	1,463,464	3,157,079	3,108,428
Other operating expenses	1,717,067	1,441,539	61,249	97,624	1,261,684	1,378,131	2,405	1,917	1,153,782	719,371	4,196,187	3,638,582
Major rail project expenses	2,400,673	2,571,971	-	-	-	-	-	-	-	-	2,400,673	2,571,971
Depreciation and amortisation	828,293	442,649	146,827	110,375	2,341,472	2,337,437	11,800	12,047	432,932	408,646	3,761,324	3,311,154
Grants and subsidies	226,819	233,864	106,777	104,430	966,108	1,309,972	-	-	653,766	619,977	1,953,470	2,268,243
Finance costs	345,234	320,098	63,239	49,876	4,958	3,053	1,915	568	21,763	18,291	437,109	391,886
Other expenses	190,845	186,645	1,485,780	1,188,400	-	-	132,720	126,997	-	-	1,809,345	1,502,042
<b>Total expenses excluding losses</b>	<b>7,349,705</b>	<b>6,841,730</b>	<b>1,863,872</b>	<b>1,550,705</b>	<b>4,574,222</b>	<b>5,028,593</b>	<b>148,840</b>	<b>141,529</b>	<b>3,778,548</b>	<b>3,229,749</b>	<b>17,715,187</b>	<b>16,792,306</b>
<b>Revenue</b>												
Appropriation	13,344,827	9,207,851	1,739,157	1,391,506	6,703,878	6,933,020	134,888	127,718	656,498	268,632	22,579,248	17,928,727
Sale of goods and services from contracts with customers	444,238	610,498	42,046	123,524	610,115	614,484	-	-	47,207	72,124	1,143,606	1,420,630
Investment revenue	22,727	39,987	63	91	85,034	96,847	5,470	5,799	30,783	4,052	144,077	146,776
Retained taxes, fees and fines	3,497	3,857	156	146	9,204	8,708	-	-	-	-	12,857	12,711
Grants and contributions	1,450,388	1,587,148	375	1,536	974,810	969,293	-	-	200,631	351,545	2,626,204	2,909,522
Acceptance by the Crown of employee benefits and other liabilities	-	-	-	-	-	-	-	-	7,918	41,460	7,918	41,460
Major rail project revenue	2,400,673	2,571,971	-	-	-	-	-	-	-	-	2,400,673	2,571,971
Personnel service revenue	-	-	-	-	-	-	-	-	12,058	-	12,058	-
Other revenue	-	540	-	-	612,357	528,460	1,280	1,892	467	2,929	614,104	533,821
<b>Total revenue</b>	<b>17,666,350</b>	<b>14,021,852</b>	<b>1,781,797</b>	<b>1,516,803</b>	<b>8,995,398</b>	<b>9,150,812</b>	<b>141,638</b>	<b>135,409</b>	<b>955,562</b>	<b>740,742</b>	<b>29,540,745</b>	<b>25,565,618</b>
Gains/(losses) on disposal	96,154	(21,714)	(183)	(2,010)	(123,429)	(344,117)	-	-	(29,519)	(3,195)	(56,977)	(371,036)
Other gains/(losses)	(887,176)	(1,300,286)	(2,224)	-	199,523	209,793	13,833	519	93,351	(114,011)	(582,693)	(1,203,985)
Impairment losses on financial assets	(41)	216	-	-	(274)	131	-	-	(1,696)	(354)	(2,011)	(7)
<b>Net result</b>	<b>9,525,582</b>	<b>5,858,338</b>	<b>(84,482)</b>	<b>(35,912)</b>	<b>4,496,996</b>	<b>3,988,026</b>	<b>6,631</b>	<b>(5,601)</b>	<b>(2,760,850)</b>	<b>(2,606,567)</b>	<b>11,183,877</b>	<b>7,198,284</b>
<b>Other comprehensive income</b>												
Net gains/(losses) in commodity swaps and foreign exchange	7,348	7,907	-	-	-	-	-	-	(38)	32	7,310	7,939
Net increase in asset revaluation surplus	1,879,815	412,024	29,358	-	7,567,494	388,174	4,584	-	71,857	9,371	9,553,108	809,569
Remeasurement of defined benefit superannuation schemes	314,814	106,296	-	-	-	-	-	-	2,215	11,698	317,029	117,994
<b>Total other comprehensive income</b>	<b>2,201,977</b>	<b>526,227</b>	<b>29,358</b>	<b>-</b>	<b>7,567,494</b>	<b>388,174</b>	<b>4,584</b>	<b>-</b>	<b>74,034</b>	<b>21,101</b>	<b>9,877,447</b>	<b>935,502</b>
<b>Total comprehensive income</b>	<b>11,727,559</b>	<b>6,384,565</b>	<b>(55,124)</b>	<b>(35,912)</b>	<b>12,064,490</b>	<b>4,376,200</b>	<b>11,215</b>	<b>(5,601)</b>	<b>(2,686,816)</b>	<b>(2,585,466)</b>	<b>21,061,324</b>	<b>8,133,786</b>

The names and purposes of each service group are summarised in Note (1(h)). 2021 comparatives have been restated to reflect the revaluation adjustments made to prior period. Refer to Note 30.



**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

Consolidated Administered expenses and income	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Administered expenses</b>												
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	-	-	3,131	2,644	3,131	2,644
<b>Administered expenses</b>	-	-	-	-	-	-	-	-	<b>3,131</b>	<b>2,644</b>	<b>3,131</b>	<b>2,644</b>
<b>Administered income</b>												
Transfer receipts - taxes, fees and fines	-	-	-	-	4,186,024	4,083,071	-	-	3,010	2,611	4,189,034	4,085,682
<b>Administered income</b>	-	-	-	-	<b>4,186,024</b>	<b>4,083,071</b>	-	-	<b>3,010</b>	<b>2,611</b>	<b>4,189,034</b>	<b>4,085,682</b>
<b>Administered income less expenses</b>	-	-	-	-	<b>4,186,024</b>	<b>4,083,071</b>	-	-	<b>(121)</b>	<b>(33)</b>	<b>4,185,903</b>	<b>4,083,038</b>

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

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Assets and liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>												
<b>Current assets</b>												
Cash and cash equivalents	2,162,487	2,107,261	4,161	54,031	772,327	415,413	62,372	42,283	1,221,406	2,125,975	4,222,753	4,744,963
Receivables	813,912	509,709	833	11,705	697,130	625,269	1,197	856	411,836	423,005	1,924,908	1,570,544
Inventories	22,275	20,482	-	7,208	5,526	5,279	-	-	1,472	-	29,273	32,969
Financial assets at fair value	11,628	2,399	-	-	38	133,993	-	-	-	-	11,666	136,392
Non-current assets held for sale	2,772	13,693	-	-	26,921	22,507	-	-	-	-	29,693	36,200
Other financial assets	6,730	6,146	-	-	221,737	1,609	-	-	-	-	228,467	7,755
<b>Total current assets</b>	<b>3,019,804</b>	<b>2,659,690</b>	<b>4,994</b>	<b>72,944</b>	<b>1,723,679</b>	<b>1,204,070</b>	<b>63,569</b>	<b>43,139</b>	<b>1,634,714</b>	<b>2,548,980</b>	<b>6,446,760</b>	<b>6,528,823</b>
<b>Non-current assets</b>												
Receivables	1,058,436	1,019,015	-	-	66,125	10,340	-	-	1,851	1,003	1,126,412	1,030,358
Inventories	38,319	33,537	-	-	-	-	-	-	-	-	38,319	33,537
Financial assets at fair value	87,735	602	-	-	1,609	-	-	-	-	-	89,344	602
Other financial assets	491,926	354,684	-	-	82,466	276,467	-	-	2,770	3,332	577,162	634,483
Land and buildings	1,863,492	1,785,689	432,365	424,064	4,663,408	4,257,290	13,219	9,068	205,041	163,395	7,177,525	6,639,506
Plant and equipment	1,911,445	1,657,757	402,910	379,697	146,462	194,657	136,866	124,067	683,845	696,784	3,281,528	3,052,962
Infrastructure systems	28,023,300	21,619,387	-	12,724	139,893,916	128,820,588	-	-	-	-	167,917,216	150,452,699
Right of use assets	5,221,088	2,101,826	723,786	733,780	95,815	165,992	-	-	36,096	627,781	6,076,785	3,629,379
Intangible assets	200,558	203,080	-	3,360	321,071	266,235	27,327	26,601	789,350	600,146	1,338,306	1,099,422
<b>Total non-current assets</b>	<b>38,896,299</b>	<b>28,775,577</b>	<b>1,559,061</b>	<b>1,553,625</b>	<b>145,270,872</b>	<b>133,991,569</b>	<b>177,412</b>	<b>159,736</b>	<b>1,718,953</b>	<b>2,092,441</b>	<b>187,622,597</b>	<b>166,572,948</b>
<b>Total assets</b>	<b>41,916,103</b>	<b>31,435,267</b>	<b>1,564,055</b>	<b>1,626,569</b>	<b>146,994,551</b>	<b>135,195,639</b>	<b>240,981</b>	<b>202,875</b>	<b>3,353,667</b>	<b>4,641,421</b>	<b>194,069,357</b>	<b>173,101,771</b>

The names and purposes of each service group are summarised in Note (1(h)). 2021 comparatives have been restated to reflect the revaluation adjustments made to prior period. Refer to Note 30.

**Department of Transport**  
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**6. Service Group Statements (cont'd)**

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	2022	Restated 2021	2022	2021	2022	Restated 2021	2022	2021	2022	Restated 2021	2022	Restated 2021
Assets and liabilities (cont'd)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities</b>												
<b>Current liabilities</b>												
Payables	1,507,349	2,093,673	227,797	93,713	932,806	1,143,993	35,252	23,249	900,876	1,151,230	3,604,080	4,505,858
Contract liabilities	3,319	1,528	-	-	43,144	248,477	-	-	48,238	2,661	94,701	252,666
Borrowings	505,357	1,621,514	123,258	126,379	93,762	322,398	1,782	1,056	12,939	101,199	737,098	2,172,546
Employee benefits	533,214	595,830	-	-	-	-	-	-	342,266	368,134	875,480	963,964
Other provisions	342,128	52,099	17,828	2,308	62,002	33,431	1,725	1,537	2,485	308	426,168	89,683
Other liabilities	9,338	8,973	-	-	709,091	633,083	1,759	2,023	222,940	216,072	943,128	860,151
<b>Total current liabilities</b>	<b>2,900,705</b>	<b>4,373,617</b>	<b>368,883</b>	<b>222,400</b>	<b>1,840,805</b>	<b>2,381,382</b>	<b>40,518</b>	<b>27,865</b>	<b>1,529,744</b>	<b>1,839,604</b>	<b>6,680,655</b>	<b>8,844,868</b>
<b>Non-current liabilities</b>												
Contract liabilities	20,586	21,099	-	-	109,790	76,154	-	-	-	-	130,376	97,253
Borrowings	9,108,602	5,900,781	637,432	684,449	50,597	38,699	48,931	48,725	39,854	786,338	9,885,416	7,458,992
Employee benefits	507,144	811,828	-	-	-	-	-	-	29,887	177,647	537,031	989,475
Other provisions	41,480	28,422	-	-	10,969	13,994	1,100	-	11,069	16,625	64,618	59,041
Other liabilities	2,776	2,873	-	-	16,782,769	16,801,016	-	-	-	-	16,785,545	16,803,889
<b>Total non-current liabilities</b>	<b>9,680,588</b>	<b>6,765,003</b>	<b>637,432</b>	<b>684,449</b>	<b>16,954,125</b>	<b>16,929,863</b>	<b>50,031</b>	<b>48,725</b>	<b>80,810</b>	<b>980,610</b>	<b>27,402,986</b>	<b>25,408,650</b>
<b>Total liabilities</b>	<b>12,581,293</b>	<b>11,138,620</b>	<b>1,006,315</b>	<b>906,849</b>	<b>18,794,930</b>	<b>19,311,245</b>	<b>90,549</b>	<b>76,590</b>	<b>1,610,554</b>	<b>2,820,214</b>	<b>34,083,641</b>	<b>34,253,518</b>
<b>Net assets</b>	<b>29,334,810</b>	<b>20,296,647</b>	<b>557,740</b>	<b>719,720</b>	<b>128,199,621</b>	<b>115,884,394</b>	<b>150,432</b>	<b>126,285</b>	<b>1,743,113</b>	<b>1,821,207</b>	<b>159,985,716</b>	<b>138,848,253</b>

The names and purposes of each service group are summarised in Note (1(h)). 2021 comparatives have been restated to reflect the revaluation adjustments made to prior period. Refer to Note 30.

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**7. Cash and cash equivalents**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Cash at bank and on hand <sup>1</sup>	3,928,246	4,604,569	122	228
Public revenue bank account	132,894	116,034	-	-
Security deposits	161,613	24,360	-	-
<b>Cash and cash equivalents</b>	<b>4,222,753</b>	<b>4,744,963</b>	<b>122</b>	<b>228</b>

<sup>1</sup>Cash at bank and on hand includes cash required to cover capital accruals and provide working capital to meet short term obligations.

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

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

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Cash and cash equivalents (per Statement of financial position)	4,222,753	4,744,963	122	228
<b>Closing cash and cash equivalents (per Statement of cash flows)</b>	<b>4,222,753</b>	<b>4,744,963</b>	<b>122</b>	<b>228</b>

Refer to Note 28 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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

Details of credit standby arrangements available to and used by the consolidated entity are provided under financial instruments (Note 28(c)).

**Restricted cash and cash equivalents**

Cash and cash equivalent assets include restricted cash of \$791.7 million (2021: \$497.7 million) (parent entity: nil (2021: nil)) which can only be used for specific purposes and are, therefore, not available to fund the ongoing operations of the consolidated entity.

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

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Parking Space Levy	14,579	45,133
Community Transport Groups	18,428	15,565
Railway Contribution Deed	4	-
E-Tag Deposit	107,776	64,380
Maritime Waterways Fund	413,267	338,013
Funds related to land acquisition by the State	36,208	34,608
Opal Cards Deposit	201,469	-
<b>Restricted cash and cash equivalents</b>	<b>791,731</b>	<b>497,699</b>

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

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

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

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.

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

Funds administered on behalf of the Maritime Waterways fund are restricted to activity relating to maritime transactions and are covered by Section 42 of the *Ports and Maritime Administration Act 1995*.

Funds relating to land acquisitions by the State require the authority of the state 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.

Holders of Opal cards make top ups to the Opal smartcards and use these funds for travel on Opal network. The unused funds are held in Westpac Bank ETS Clearing Account and are available to be refunded if the customers choose to. The funds were held in TCorpIM Funds in the prior year (refer to Note 11).

### **Recognition and measurement**

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

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

**Department of Transport**  
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for the year ended 30 June 2022

**8. Receivables**

	<b>Consolidated</b> <b>2022</b> <b>\$'000</b>	<b>Consolidated</b> <b>2021</b> <b>\$'000</b>	<b>Parent</b> <b>2022</b> <b>\$'000</b>	<b>Parent</b> <b>2021</b> <b>\$'000</b>
Trade receivables from contracts with customers <sup>1</sup>	391,181	375,010	-	-
Goods and Services Tax recoverable	401,890	561,711	27	27
Prepayments	556,851	319,989	-	-
Income receivable	447,918	176,504	-	-
Personnel services receivable	7,023	-	7,023	-
Other receivables <sup>2</sup>	128,977	144,549	6,858	3
Investment income receivable	288	571	-	-
	<b>1,934,128</b>	<b>1,578,334</b>	<b>13,908</b>	<b>30</b>
Less: Allowance for expected credit loss	(9,220)	(7,790)	-	-
<b>Current receivables</b>	<b>1,924,908</b>	<b>1,570,544</b>	<b>13,908</b>	<b>30</b>
<b>Movement in the allowance for expected credit losses</b>				
Balance at 1 July	(7,790)	(13,796)	-	-
Loss of control of TAHE	-	1,702	-	-
Amounts written off during the year	573	4,311	-	-
Unused provision reversed	8	-	-	-
Increase in allowance recognised in net result	(2,011)	(7)	-	-
<b>Balance at 30 June</b>	<b>(9,220)</b>	<b>(7,790)</b>	<b>-</b>	<b>-</b>
	<b>Consolidated</b> <b>2022</b> <b>\$'000</b>	<b>Consolidated</b> <b>2021<sup>3</sup></b> <b>\$'000</b>	<b>Parent</b> <b>2022</b> <b>\$'000</b>	<b>Parent</b> <b>2021</b> <b>\$'000</b>
Other receivables <sup>2</sup>	986,866	1,020,018	-	-
Prepayments	139,546	10,340	-	-
<b>Non-current receivables</b>	<b>1,126,412</b>	<b>1,030,358</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Trade receivables from contracts with customers include current receivables from TAHE of \$303.7 million (2021: \$257.0 million).

<sup>2</sup>Other receivables in the consolidated entity include proceeds receivable from external parties under the Integrated Station Development arrangements in Sydney Metro of \$984.9 million (2021: \$969.7 million) and grants receivable from Infrastructure NSW of \$50.0 million (2021: \$50.0 million).

<sup>3</sup>In the 2021 financial statements, the consolidated entity recognised a non-current receivable of \$354.7 million from TAHE in relation to construction costs incurred but not billed to TAHE. In 2022, this amount has been reclassified to Non-current Other financial assets (Note 13).

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 28.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

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### 8. Receivables (cont'd)

#### Recognition and measurement

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

#### Subsequent measurement

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

#### Impairment

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

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

**Department of Transport**  
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**9. Contract assets and liabilities**

		<b>Consolidated 2022 \$'000</b>	<b>Consolidated 2021 \$'000</b>	<b>Parent 2022 \$'000</b>	<b>Parent 2021 \$'000</b>
	<b>Notes</b>				
Contract liabilities - current		94,701	252,666	-	-
Contract liabilities – non-current		130,376	97,253	-	-
<b>Contract liabilities</b>		<b>225,077</b>	<b>349,919</b>	<b>-</b>	<b>-</b>
<b>Contract receivables</b>	<b>8</b>	<b>391,181</b>	<b>375,010</b>	<b>-</b>	<b>-</b>

	<b>Consolidated 2022 \$'000</b>	<b>Consolidated 2021 \$'000</b>
Revenue recognised that was included in the contract liability at the beginning of the year	267,017	152,512
Revenue recognised from performance obligations satisfied in previous periods	830	-
Transaction price allocated to the remaining performance obligations from contracts with customers	225,077	349,919

**Recognition and measurement**

Contract liabilities relate to consideration received in advance from customers in respect of licence fees and toll revenue, funding received in advance for the design and construction of certain developments and other receipts in advance for services yet to be performed. Contract liabilities also include accrued expenses for projects where milestones have not yet been met. The balance of contract liabilities at 30 June 2022 is driven by the amount of revenue that is prepaid by customers before the benefits are utilised.

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



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

for the year ended 30 June 2022

**10. Inventories**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Materials, spare parts and other stores	39,219	44,304	-	-
Less: Provision for obsolescence	(9,946)	(11,335)	-	-
<b>Current inventories held for distribution</b>	<b>29,273</b>	<b>32,969</b>	-	-
Materials, spare parts and other stores	38,319	33,537	-	-
<b>Non-current inventories held for distribution</b>	<b>38,319</b>	<b>33,537</b>	-	-

**Recognition and measurement**

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

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

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

Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**11. Financial assets at fair value**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
<b>Financial assets held for trading</b>				
Derivatives	11,666	2,399	-	-
<b>Financial assets at fair value through profit or loss</b>				
TCorpIM Funds (medium and long-term growth facilities) <sup>1</sup>	-	133,993	-	-
<b>Current financial assets at fair value</b>	<b>11,666</b>	<b>136,392</b>	-	-
<b>Financial assets held for trading</b>				
Derivatives	89,344	602	-	-
<b>Non-current financial assets at fair value</b>	<b>89,344</b>	<b>602</b>	-	-

<sup>1</sup>TCorpIM Funds were redeemed in the current year and converted to restricted cash following changes to *Government Sector Finance Act 2018* (refer to Note 7).

Refer to Note 28 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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

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

These policies comply strictly with the internal policies and guidelines within the broad framework of the NSW "Treasury Management Policy" (TPP 07-7). Accounting for Treasury instruments is in accordance with NSW Treasury Accounting Policy, "Accounting for Financial Instruments" (TPP 19-05). Treasury instruments approved for the management of financial risk are in accordance with the *Government Sector Finance Act 2018*.

Derivative financial instruments are used to hedge against exposures to foreign currency risk on overseas purchase commitments, commodity price risk and exposures on variable interest rate arrangements.

The consolidated entity is exposed to a range of commodity price risks, principally from distillate and electricity purchases. The exposure to fluctuations in wholesale market prices is managed by entering into fixed price supply arrangements with retailers or by entering in to commodity hedge contracts to hedge forecast exposure.

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.

The consolidated entity holds interest rate swap derivatives to manage its interest rate risk exposure arising from public-private partnership payment commitments.

#### Recognition and measurement

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

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

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

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

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

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

##### (ii) Financial assets at fair value through profit or loss

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

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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

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

##### (ii) Financial assets at fair value through profit or loss (cont'd)

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

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds were redeemed in the current year and converted to cash following changes to *Government Sector Finance Act 2018*. TCorpIM Funds were classified as financial assets at fair value through profit or loss.

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

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

Interest rate swap derivatives are not designated in an accounting hedge relationship. These derivatives are categorised as held for trading and presented in the Statement of financial position.

The interest rate swap derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of the derivative financial assets or liabilities are recorded in profit or loss.

##### (iii) Impairment of financial assets

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

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

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

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

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**12. Non-current assets held for sale**

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Land and buildings held for sale	29,649	36,200	-	-
Plant and equipment held for sale	44	-	-	-
<b>Non-current assets held for sale</b>	<b>29,693</b>	<b>36,200</b>	<b>-</b>	<b>-</b>

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

**Recognition and measurement**

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

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

## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

### 13. Other financial assets

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Biodiversity offset deposit <sup>1</sup>	1,609	1,609	-	-
Energy certificates - at cost <sup>2</sup>	6,730	6,146	-	-
Loan to Sydney Harbour Tunnel Company Limited <sup>3</sup>	220,128	-	-	-
<b>Current other financial assets</b>	<b>228,467</b>	<b>7,755</b>	<b>-</b>	<b>-</b>
Loan to Sydney Harbour Tunnel Company Limited <sup>3</sup>	-	201,642	-	-
Promissory notes <sup>4</sup>	82,466	74,825	-	-
Interest free advances to taxi operators <sup>5</sup>	2,770	3,332	-	-
Loan to TAHE <sup>6</sup>	491,926	354,684	-	-
<b>Non-current other financial assets</b>	<b>577,162</b>	<b>634,483</b>	<b>-</b>	<b>-</b>

Refer to Note 28 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

<sup>1</sup> Biodiversity offset deposits of \$1.6 million (2021: \$1.6 million) represent funds deposited by TfNSW into the Biodiversity Stewardship Payments Fund.

<sup>2</sup> Energy certificates of \$6.7 million (2021: \$6.1 million) relate to large-scale generation certificates (LGCs). The consolidated entity acquires LGCs under the provisions of the Large-Scale Renewable Energy Target (LRET) scheme that mandates retailers and large customers purchase a share of their electricity supply requirements from renewable energy resources; and surrenders the required amount volume of LGCs to meet its target. The LGCs are acquired solely to satisfy these obligations.

<sup>3</sup> This loan is considered to be part of the consolidated entity's interest in the Sydney Harbour Tunnel and at reporting date has been valued on a net present value (NPV) basis. The loan is due for repayment on 9 September 2022.

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

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

<sup>6</sup> Loan to TAHE of \$491.9 million (2021: \$354.7 million) represents construction costs incurred but not billed to TAHE, valued on a net present value basis at reporting date. 2021 balance was reclassified from non-current receivables (Note 8).

#### Recognition and measurement

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

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

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

Please refer to Note 11 for recognition and measurement of impairment of financial assets.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**14. Property, plant and equipment**

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

Consolidated	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment \$ '000
	Land and buildings \$ '000	Road and maritime systems \$ '000	Rail systems \$ '000	Total \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Buses \$ '000	Ferries \$ '000		
<b>At 30 June 2022</b>										
Gross carrying amount	7,686,176	179,114,686	29,050,680	208,165,366	1,960,719	2,246,013	1,139,584	442,251	5,788,567	221,640,109
Accumulated depreciation and impairment	(508,651)	(39,195,228)	(1,052,922)	(40,248,150)	(999,807)	(410,981)	(787,097)	(309,154)	(2,507,039)	(43,263,840)
<b>Net carrying amount at 30 June 2022</b>	<b>7,177,525</b>	<b>139,919,458</b>	<b>27,997,758</b>	<b>167,917,216</b>	<b>960,912</b>	<b>1,835,032</b>	<b>352,487</b>	<b>133,097</b>	<b>3,281,528</b>	<b>178,376,269</b>
<b>At 30 June 2021</b>										
Gross carrying amount	7,112,352	163,446,598	23,279,757	186,726,355	1,892,129	1,922,786	1,053,910	370,538	5,239,363	199,078,070
Accumulated depreciation and impairment	(472,846)	(35,619,439)	(654,217)	(36,273,656)	(886,400)	(329,941)	(719,638)	(250,422)	(2,186,401)	(38,932,903)
<b>Restated net carrying amount at 30 June 2021</b>	<b>6,639,506</b>	<b>127,827,159</b>	<b>22,625,540</b>	<b>150,452,699</b>	<b>1,005,729</b>	<b>1,592,845</b>	<b>334,272</b>	<b>120,116</b>	<b>3,052,962</b>	<b>160,145,167</b>

There was nil (2021: 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 17.

Land and buildings 'Gross carrying amount' and 'Accumulated depreciation and impairment' have been restated to be higher by \$898.4 million and \$1.5 million respectively, at 30 June 2021. Infrastructure systems 'Gross carrying amount' has been restated to be lower by \$2,114.3 million, at 30 June 2021. Refer to Note 30.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

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

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

	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2022</b>										
Restated net carrying amount at start of year	6,639,506	127,827,159	22,625,540	150,452,699	1,005,729	1,592,845	334,272	120,116	3,052,962	160,145,167
Additions	288,296	6,018,887	6,753,476	12,772,363	122,018	15,433	32,799	10,655	180,905	13,241,564
Recognition of assets	-	1,527	-	1,527	34	-	-	-	34	1,561
Revaluation increment/(decrement) recognised in equity	(38,463)	7,566,926	1,775,549	9,342,475	7,284	212,454	29,358	-	249,096	9,553,108
Revaluation increment/(decrement) recognised in net result	(785,957)	-	-	-	-	-	-	12,894	12,894	(773,063)
Disposals	(18,631)	(97,858)	(2,686)	(100,544)	(15,840)	-	(1,157)	-	(16,997)	(136,172)
Impairment (losses)/reversals	(1,444)	-	-	-	-	-	-	(522)	(522)	(1,966)
Assets transferred (to)/from non-current assets held for sale	(145,105)	-	(188)	(188)	(234)	-	-	-	(234)	(145,527)
Reclassification between PPE classes	1,236,552	1,064,287	(2,383,268)	(1,318,981)	8,693	74,483	(747)	-	82,429	-
Reclassifications (to)/from intangible assets	-	(45,800)	(148,281)	(194,081)	(5,024)	-	-	-	(5,024)	(199,105)
Reclassifications (to)/from other assets	-	-	-	-	(1,494)	-	-	-	(1,494)	(1,494)
Depreciation expense	(53,874)	(2,307,701)	(245,831)	(2,553,532)	(153,209)	(60,183)	(42,038)	(10,046)	(265,476)	(2,872,882)
Increase/(decrease) in net assets from equity transfer	2,228	-	(48,807)	(48,807)	(7,045)	-	-	-	(7,045)	(53,624)
Transfer to councils, NSW government agencies & other parties	54,417	(107,969)	(327,746)	(435,715)	-	-	-	-	-	(381,298)
<b>Net carrying amount at 30 June 2022</b>	<b>7,177,525</b>	<b>139,919,458</b>	<b>27,997,758</b>	<b>167,917,216</b>	<b>960,912</b>	<b>1,835,032</b>	<b>352,487</b>	<b>133,097</b>	<b>3,281,528</b>	<b>178,376,269</b>

Department of Transport  
Notes to the financial statements  
for the year ended 30 June 2022

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

Consolidated – Reconciliation of total property, plant and equipment

	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2021</b>										
Net carrying amount at start of year	4,795,045	122,953,431	56,713,235	179,666,666	1,357,331	4,302,822	350,725	83,710	6,094,588	190,556,299
Restatement of property, plant and equipment	721,416	127,262	(870,216)	(742,954)	-	-	-	-	-	(21,538)
<b>Restated net carrying amount at start of year</b>	<b>5,516,461</b>	<b>123,080,693</b>	<b>55,843,019</b>	<b>178,923,712</b>	<b>1,357,331</b>	<b>4,302,822</b>	<b>350,725</b>	<b>83,710</b>	<b>6,094,588</b>	<b>190,534,761</b>
Additions	729,642	7,400,896	5,706,716	13,107,612	95,277	2,690	60,809	44,744	203,520	14,040,774
Recognition of assets	2,929	493	-	493	-	-	-	-	-	3,422
Revaluation increment/(decrement) recognised in equity	124,444	271,170	382,294	653,464	1,042	30,619	-	-	31,661	809,569
Revaluation increment/(decrement) recognised in net result	(1,336,174)	-	-	-	-	-	-	-	-	(1,336,174)
Disposals	(852)	(354,259)	(28,987)	(383,246)	(2,409)	(15)	(2,068)	-	(4,492)	(388,590)
Impairment (losses)/reversals	363	-	123,837	123,837	(1,174)	-	-	2,344	1,170	125,370
Assets transferred (to)/from non-current assets held for sale	(72,303)	-	-	-	-	-	-	-	-	(72,303)
Reclassification between PPE classes	1,720,017	(658,198)	(1,029,417)	(1,687,615)	(93,588)	91,277	(30,091)	-	(32,402)	-
Reclassifications (to)/from intangible assets	-	-	7,751	7,751	91,184	-	-	-	91,184	98,935
Reclassifications (to)/from other assets	-	-	(203,759)	(203,759)	-	-	-	-	-	(203,759)
Depreciation expense	(52,133)	(2,210,845)	(245,810)	(2,456,655)	(192,993)	(58,303)	(45,103)	(10,682)	(307,081)	(2,815,869)
Increase/(decrease) in net assets from equity transfer	4,086	-	-	-	(2,770)	-	-	-	(2,770)	1,316
Transfer to councils, NSW government agencies & other parties	(27,572)	(571,207)	(309,862)	(881,069)	-	-	-	-	-	(908,641)
Net increase/(decrease) in assets from administrative restructure	30,598	868,416	6,123	874,539	2	-	-	-	2	905,139
Loss of control of TAHE	-	-	(37,626,365)	(37,626,365)	(246,173)	(2,776,245)	-	-	(3,022,418)	(40,648,783)
<b>Restated net carrying amount at 30 June 2021</b>	<b>6,639,506</b>	<b>127,827,159</b>	<b>22,625,540</b>	<b>150,452,699</b>	<b>1,005,729</b>	<b>1,592,845</b>	<b>334,272</b>	<b>120,116</b>	<b>3,052,962</b>	<b>160,145,167</b>

Land and buildings have been restated and the net carrying amount as at 30 June 2021 has increased by \$896.9 million. The following lines have been restated:

- Restatement of opening balance – increase of \$721.4 million
- Revaluation increment/(decrement) recognised in equity – decrease of \$7.8 million
- Revaluation increment/(decrement) recognised in net result – decrease of \$1,336.2 million
- Reclassification between PPE classes – increase of \$1,520.9 million
- Depreciation expense – increase of \$1.5 million

Infrastructure systems have been restated and the net carrying amount as at 30 June 2021 has decreased by \$2,114.3 million. The following lines have been restated:

- Restatement of opening balance – decrease of \$743.0 million
- Revaluation increment/(decrement) recognised in equity – increase of \$149.6 million
- Reclassification between PPE classes - decrease of \$1,520.9 million

Refer to Note 30.



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

The reclassifications between property, plant and equipment classes comprise mainly transfer of infrastructure systems to land and buildings, and plant equipment in a number of controlled entities in 2022 and 2021.

Certain roads and maritime systems were transferred to and from councils and other parties.

- a) Comprehensive revaluations on land and building assets were undertaken in a number of the controlled entities in 2022 and 2021. The fair value of such assets is stated at fair value using either the direct comparison approach or current replacement cost (CRC).
- b) Comprehensive revaluations on infrastructure assets including land under roads and tracks (including service concession assets – land under roads) were performed in 2022. Comprehensive revaluations on rail infrastructure for CBD & South East Light Rail were performed in 2021.
- c) Comprehensive revaluation of buses under plant and equipment was performed in 2022. The fair value of such assets is stated at fair value using optimised replacement cost.
- d) Comprehensive revaluation of Sydney Metro Northwest rail assets including rail land (excluding developable land under Northwest Property Development agreement), rail infrastructure, rolling stock and specialised plant and equipment were performed in 2022.
- e) Maritime assets including wharves and jetties, seawalls, dredging, maritime roads and navigational aids are valued using the following steps:
  - Obtaining assets inventory data for asset types from various sources of databases.
  - Applying average unit rates for assets and asset components where possible to determine the estimated replacement cost for each asset type.
  - Estimating normal useful lives and remaining useful lives based on condition. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
  - Applying depreciation (straight line) based on age/life analysis to estimate fair value.
- f) Specialised rail infrastructure assets are measured at depreciated replacement cost, which is based on the incremental optimised replacement cost. Optimised replacement cost is the minimum cost in the normal course of business to replace the existing asset with a technologically modern equivalent asset with the same economic benefits after adjusting for over design, over capacity and redundant components.
- g) Newcastle Light Rail, CBD & South East Light Rail as specialised assets have been valued using the cost approach. Due to this being a recently constructed project, the gross replacement cost has been determined by adjusting the historical cost (excluding relocating costs) using relevant indices.
- h) All road infrastructure assets are stated at fair value using the CRC approach:
  - The methods and significant assumptions applied in estimating the 'Roads' asset class fair values include Primary Approach, Secondary Approach and Hybrid Approach.
  - Due to the specialised nature of Transport for NSW's 'roads' asset class and that the roads are not sold or traded, the fair value for this asset class cannot be determined with reference to the observable prices in an active market or recent market transactions on arm's length terms. Instead, the fair value has been determined using the valuation techniques mentioned above, primarily with reference to current tendered contracted rates produced by Project Management Office.
- i) Land and buildings acquired for future road works (LAFFRW) comprises of untenanted land for road (ULR), public reserves, rental and surplus properties. LAFFRW are initially valued at acquisition cost and progressively revalued to current market value over a three year cycle by registered valuers.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

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

- j) Service concession infrastructure assets including roads, bridges and traffic control network assets are valued using the following steps:
- Obtaining asset inventory information from private operators supplemented by as-built drawings to form the basis of valuation analysis for all service concession arrangement toll roads asset classes: roads, bridges, traffic control, building and equipment.
  - Applying unit rates to the inventory listing based on the modern equivalent capitalisation type.
  - Optimising the replacement cost for assets to adjust for over-design, overcapacity, redundant components and operating and maintenance costs
  - Estimating normal useful lives and remaining useful lives based on element condition data. Applying remaining life extensions to assets past their normal useful life but still in use.
  - Applying depreciation (straight line) based on age/life analysis to estimate fair value.

**Department of Transport**  
**Notes to the financial statements**  
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**14. Property, plant and equipment (cont'd)**

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

	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2022</b>										
At cost - Gross carrying amount	6,244,793	178,728,299	29,050,680	207,778,979	1,960,719	2,246,013	1,139,584	442,251	5,788,567	219,812,339
Accumulated depreciation and impairment	(506,385)	(39,195,228)	(1,052,922)	(40,248,150)	(999,807)	(410,981)	(787,097)	(309,154)	(2,507,039)	(43,261,574)
<b>Net carrying amount at 30 June 2022</b>	<b>5,738,408</b>	<b>139,533,071</b>	<b>27,997,758</b>	<b>167,530,829</b>	<b>960,912</b>	<b>1,835,032</b>	<b>352,487</b>	<b>133,097</b>	<b>3,281,528</b>	<b>176,550,765</b>
<b>At 30 June 2021</b>										
At cost - Gross carrying amount	6,049,457	163,069,682	23,279,757	186,349,439	1,892,129	1,922,786	1,053,910	370,538	5,239,363	197,638,259
Accumulated depreciation and impairment	(471,433)	(35,619,439)	(654,217)	(36,273,656)	(886,400)	(329,941)	(719,638)	(250,422)	(2,186,401)	(38,931,490)
<b>Restated net carrying amount at 30 June 2021</b>	<b>5,578,024</b>	<b>127,450,243</b>	<b>22,625,540</b>	<b>150,075,783</b>	<b>1,005,729</b>	<b>1,592,845</b>	<b>334,272</b>	<b>120,116</b>	<b>3,052,962</b>	<b>158,706,769</b>

**Department of Transport**  
**Notes to the financial statements**  
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**14. Property, plant and equipment (cont'd)**

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

	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000		
<b>At 30 June 2022</b>										
Restated net carrying amount at start of year	5,578,024	127,450,243	22,625,540	150,075,783	1,005,729	1,592,845	334,272	120,116	3,052,962	158,706,769
Additions	288,296	6,018,887	6,753,476	12,772,363	122,018	15,433	32,799	10,655	180,905	13,241,564
Recognition of assets	-	1,527	-	1,527	34	-	-	-	34	1,561
Revaluation increment/(decrement) recognised in equity	(327,808)	7,557,455	1,775,549	9,333,004	7,284	212,454	29,358	-	249,096	9,254,292
Revaluation increment/(decrement) recognised in net result	(785,957)	-	-	-	-	-	-	12,894	12,894	(773,063)
Disposals	(18,631)	(97,858)	(2,686)	(100,544)	(15,840)	-	(1,157)	-	(16,997)	(136,172)
Impairment (losses)/reversals	(1,444)	-	-	-	-	-	-	(522)	(522)	(1,966)
Assets transferred (to)/from non-current assets held for sale	(145,105)	-	(188)	(188)	(234)	-	-	-	(234)	(145,527)
Reclassification between PPE classes	1,147,451	1,064,287	(2,383,268)	(1,318,981)	8,693	74,483	(747)	-	82,429	(89,101)
Reclassifications (to)/from intangible assets	-	(45,800)	(148,281)	(194,081)	(5,024)	-	-	-	(5,024)	(199,105)
Reclassifications (to)/from other assets	-	-	-	-	(1,494)	-	-	-	(1,494)	(1,494)
Depreciation expense	(53,063)	(2,307,701)	(245,831)	(2,553,532)	(153,209)	(60,183)	(42,038)	(10,046)	(265,476)	(2,872,071)
Increase/(decrease) in net assets from equity transfer	2,228	-	(48,807)	(48,807)	(7,045)	-	-	-	(7,045)	(53,624)
Transfer to councils, NSW government agencies & other parties	54,417	(107,969)	(327,746)	(435,715)	-	-	-	-	-	(381,298)
<b>Net carrying amount as at 30 June 2022</b>	<b>5,738,408</b>	<b>139,533,071</b>	<b>27,997,758</b>	<b>167,530,829</b>	<b>960,912</b>	<b>1,835,032</b>	<b>352,487</b>	<b>133,097</b>	<b>3,281,528</b>	<b>176,550,765</b>

**Department of Transport**  
**Notes to the financial statements**  
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**14. Property, plant and equipment (cont'd)**

**Reconciliation of property, plant and equipment held and used by the consolidated entity (prior year)**

	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2021</b>										
Net carrying amount at start of year	3,785,144	122,601,082	56,255,569	178,856,651	1,356,293	4,302,822	350,725	83,710	6,093,550	188,735,345
Restatement of property, plant and equipment	623,740	127,262	(777,598)	(650,336)	-	-	-	-	-	(26,596)
<b>Restated net carrying amount at start of year</b>	<b>4,408,884</b>	<b>122,728,344</b>	<b>55,477,971</b>	<b>178,206,315</b>	<b>1,356,293</b>	<b>4,302,822</b>	<b>350,725</b>	<b>83,710</b>	<b>6,093,550</b>	<b>188,708,749</b>
Additions	729,369	7,400,896	5,706,716	13,107,612	95,277	2,690	60,809	44,744	203,520	14,040,501
Recognition of assets	2,879	493	-	493	-	-	-	-	-	3,372
Revaluation increment/(decrement) recognised in equity	107,417	246,603	382,294	628,897	1,042	30,619	-	-	31,661	767,975
Revaluation increment/(decrement) recognised in net result	(1,336,174)	-	-	-	-	-	-	-	-	(1,336,174)
Disposals	71,924	(354,259)	(28,987)	(383,246)	(2,409)	(15)	(2,068)	-	(4,492)	(315,814)
Impairment (losses)/reversals	363	-	123,837	123,837	(1,174)	-	-	2,344	1,170	125,370
Assets transferred (to)/from non-current assets held for sale	(72,303)	-	-	-	-	-	-	-	-	(72,303)
Reclassification between PPE classes	1,716,049	(658,198)	(1,029,417)	(1,687,615)	(92,550)	91,277	(30,091)	-	(31,364)	(2,930)
Reclassifications (to)/from intangible assets	-	-	7,751	7,751	91,184	-	-	-	91,184	98,935
Reclassifications (to)/from other assets	-	-	(203,759)	(203,759)	-	-	-	-	-	(203,759)
Depreciation expense	(51,428)	(2,210,845)	(245,810)	(2,456,655)	(192,993)	(58,303)	(45,103)	(10,682)	(307,081)	(2,815,164)
Increase/(decrease) in net assets from equity transfer	4,086	-	-	-	(2,770)	-	-	-	(2,770)	1,316
Transfer to councils, NSW government agencies & other parties	(27,572)	(571,207)	(309,862)	(881,069)	-	-	-	-	-	(908,641)
Loss of control of TAHE	-	-	(37,261,317)	(37,261,317)	(246,173)	(2,776,245)	-	-	(3,022,418)	(40,283,735)
Increase in net assets from administrative restructures	24,530	868,416	6,123	874,539	2	-	-	-	2	899,071
<b>Restated net carrying amount as at 30 June 2021</b>	<b>5,578,024</b>	<b>127,450,243</b>	<b>22,625,540</b>	<b>150,075,783</b>	<b>1,005,729</b>	<b>1,592,845</b>	<b>334,272</b>	<b>120,116</b>	<b>3,052,962</b>	<b>158,706,769</b>

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

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

	Infrastructure systems		Total property, plant and equipment \$ '000
	Land and buildings \$ '000	Road and maritime systems \$ '000	
<b>At 30 June 2022</b>			
Gross carrying amount	1,441,383	386,387	1,827,770
Accumulated depreciation and impairment	(2,266)	-	(2,266)
<b>Net carrying amount at 30 June 2022</b>	<b>1,439,117</b>	<b>386,387</b>	<b>1,825,504</b>
<b>At 30 June 2021</b>			
Gross carrying amount	1,062,895	376,916	1,439,811
Accumulated depreciation and impairment	(1,413)	-	(1,413)
<b>Restated net carrying amount at 30 June 2021</b>	<b>1,061,482</b>	<b>376,916</b>	<b>1,438,398</b>

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

	Infrastructure Systems				Total property, plant and equipment \$ '000
	Land and buildings \$ '000	Road and maritime systems \$ '000	Rail systems \$ '000	Plant and equipment \$ '000	
<b>At 30 June 2022</b>					
Restated net carrying amount at start of year	1,061,482	376,916	-	-	1,438,398
Reclassification between PPE classes	89,101	-	-	-	89,101
Depreciation expense	(811)	-	-	-	(811)
Revaluation increment recognised in equity	289,345	9,471	-	-	298,816
<b>Net carrying amount at 30 June 2022</b>	<b>1,439,117</b>	<b>386,387</b>	<b>-</b>	<b>-</b>	<b>1,825,504</b>
<b>At 30 June 2021</b>					
Net carrying amount at start of year	1,009,901	352,349	457,666	1,038	1,820,954
Restatement of property, plant and equipment	97,676	-	(92,618)	-	5,058
<b>Restated net carrying amount at beginning of year</b>	<b>1,107,577</b>	<b>352,349</b>	<b>365,048</b>	<b>1,038</b>	<b>1,826,012</b>
Additions	273	-	-	-	273
Recognition of asset	50	-	-	-	50
Disposals	(72,776)	-	-	-	(72,776)
Reclassification between PPE classes	3,968	-	-	(1,038)	2,930
Depreciation expense	(705)	-	-	-	(705)
Revaluation increment recognised in equity	17,027	24,567	-	-	41,594
Net increase in assets from administrative restructure	6,068	-	-	-	6,068
Loss of control of TAHE	-	-	(365,048)	-	(365,048)
<b>Restated net carrying amount at 30 June 2021</b>	<b>1,061,482</b>	<b>376,916</b>	<b>-</b>	<b>-</b>	<b>1,438,398</b>

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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

#### Recognition and measurement

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

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

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

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

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

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

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

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

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

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

Subsequent to initial recognition, property, plant and equipment are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP21-09 and TD21-05). These policies adopt fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property and Plant and Equipment*.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 17 for further information regarding fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ from carrying value in accordance with NSW Treasury policy and guidelines paper (TPP 21-09). Each entity within the group undertakes their own assessment to comprehensively revalue a class of assets more frequently.



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

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

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

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

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

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

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

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

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

<b>Depreciation Rates</b>	<b>Useful Lives</b>
Rail systems	8-100 years
Road systems	3-108 years
Maritime systems	1-80 years
Rolling stock	25-35 years
Buildings	3-100 years
Owned buses	20-25 years
Ferries	20-50 years
Plant and equipment	2-60 years

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

## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

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

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

##### (vii) Right of use assets acquired by lessees

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

Further information on leases is contained at Note 15.

##### (viii) 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.

##### (ix) 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.

##### (x) 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.

##### (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.

##### (xii) Service concession assets

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

Based on the consolidated entity's assessment, the following arrangements fall within the scope of AASB 1059:

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

for the year ended 30 June 2022

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

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

**(xii) Service concession assets (cont'd)**

<b>Description</b>	<b>Service concession arrangement 1</b>	<b>Service concession arrangement 2</b>
Name & description of SCA	Toll roads (group of SCAs)	Sydney Light Rail (SLR) services
Period of the arrangement	There are a number of toll road SCAs. The period of the concessions range from 28 to 51 years.	From December 2014 until March 2036 (20.8 years for Inner West Light Rail and 15.8 years for CBD & South East Light Rail)
Terms of the arrangement	The consolidated entity has entered contracts with private operators to perform services in exchange for the right to operate (and collect revenue from) a number of toll roads in New South Wales (excluding Sydney Harbour Tunnel, which is a finance liability arrangement). The contracts relate to the following toll roads: M2 Motorway, M5 South-West Motorway, Eastern Distributor, Cross City Tunnel, Westlink M7 Motorway, Lane Cove Tunnel, NorthConnex, and WestConnex Stages 1 and 2.	The consolidated entity has entered into a service contract with a private operator to provide light rail services to public commuters for the Inner West Light Rail and the CBD & South East Light Rail.
Rights and obligations	<p>The operators are responsible for various services including the following: financing, design, construction, operation, maintenance and repair of toll roads. The operators have the right to collect and retain tolls and levies during the concession period. Under some arrangements, the consolidated entity is entitled to a share of the tolling revenue where certain conditions are met. At the end of the concession period, the toll road assets are always returned to the consolidated entity.</p> <p>Toll roads are state classified roads for which TfNSW is the road authority under the Roads Act, and therefore has control over the services to be provided. The operators must at all times keep the toll roads open to the public for the continuous passage of vehicular traffic except if it is necessary to close the toll road due to the requirements of any relevant authority or in case of an emergency.</p> <p>The consolidated entity regulates the determination of tolls and establishes pricing policies.</p>	<p>The operator uses the light rail assets to provide light rail services to public commuters over the concession period and cannot derive revenue other than from the service contract. The operator is responsible for preparation of timetables based on service level requirements specified by the consolidated entity. The operator receives monthly service payments for the operation and maintenance of the SLR network.</p> <p>At the end of the concession period the assets are handed back to the consolidated entity. The consolidated entity is responsible for setting fares and establishing fare policies.</p>
Changes in arrangements in 2021	M5 East assets owned by TfNSW were transferred to M8's operator upon M8 being open to traffic in July 20. These assets now form part of the WestConnex SCA.	Change from fixed interest rate to floating interest rate and change in the Conditional Debt Pay Down (CDPD) payment date.
Changes in arrangements in 2022	None	None

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

for the year ended 30 June 2022

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

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

**(xii) Service concession assets (cont'd)**

<b>Description</b>	<b>Service concession arrangement 3</b>	<b>Service concession arrangement 4</b>
Name & description of SCA	Sydney Metro Northwest Line and Sydney Metro City & Southwest	Ferry system contract
Period of the arrangement	September 2014 to May 2034 (19.8 years)	From July 2019 to July 2028 (9 years with options for termination at year 5 and at year 8 at the consolidated entity's discretion)
Terms of the arrangement	The consolidated entity has entered into a contract with a private operator to provide rail services for the Sydney Metro Northwest Line and the Sydney Metro City & Southwest Line.	The consolidated entity has entered into a contract with a private operator to provide ferry services to public commuters. The consolidated entity has also entered into leases with the operator for the existing fleet and shipyard.
Rights and obligations	<p>The operator is responsible for the design, construction, operation and maintenance of the Northwest Line and the Sydney Metro City &amp; Southwest Line (metro lines).</p> <p>Upon construction completion and operational commencement, the operator is required to deliver a safe and reliable metro passenger service. The operator is required to hand back the residual interest of the assets in the project at the end of the project term.</p> <p>The consolidated entity pays consideration for the delivery phase across the project term (i.e. design and construction), and makes payments for operation and maintenance. The consolidated entity is responsible for the regulation of metro services to be provided to the general public.</p>	<p>The operator is responsible for the provision of end-to-end ferry services including planning, managing and operating ferry services on Sydney Harbour and along the Parramatta River. The operator is also responsible for the maintenance of the fleet and related infrastructure, and must hand back all leased assets at the end of term at the arrangement.</p> <p>The consolidated entity is responsible for providing the operator with access to certain core assets to provide ferry services. The consolidated entity funds the capital cost of new ferries and makes payments for operation and maintenance during the contract term. The consolidated entity is responsible for setting fares and taking patronage risk on all services. By the end of the contract term, the consolidated entity can choose to either purchase the ferries or take a novation of the Operator Ferry Charter party in relation to the ferries.</p>
Changes in arrangements in 2021	Change from fixed interest rate to floating interest rate.	None
Changes in arrangements in 2022	The service concession financial liability was remeasured in September 2021 as a result of change in the Conditional Debt Pay Down (CDPD) payment date.	None

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

for the year ended 30 June 2022

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

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

**(xii) Service concession assets (cont'd)**

<b>Description</b>	<b>Service concession arrangement 5</b>
Name & description of SCA	B-Line carparks (group of SCAs)
Period of the arrangement	There are a number of B-Line carpark SCAs. The period of the concessions is from 30 to 50 years.
Terms of the arrangement	The consolidated entity has entered into arrangements for the use of car spaces for public commuter car parking at B-Line car parks in Mona Vale, Dee Why, Narrabeen and Warriewood with Northern Beaches Council and at Brookvale with Health Administration Corporation.
Rights and obligations	<p>The operators are responsible for the provision of public commuter car parking, and maintenance of the car parks. The operators have the right to collect and retain revenue from the operation of the carparks during the concession period.</p> <p>The consolidated entity is responsible for construction of the carparks and for providing the operators with access to the carparks in order to operate them. The consolidated entity bears a pro rata share of the operators' outgoings in connection with ownership, control, operation, management and maintenance of the premises. At the end of the term, the consolidated entity can continue to occupy the car parks (subject to written consent) or transfer or sublet the arrangement, including to another agency.</p>
Changes in arrangements in 2021	None
Changes in arrangements in 2022	None

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

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

**(xii) Service concession assets (cont'd)**

**Service concession assets – property, plant and equipment**

The net carrying amount of service concession assets included within each class of property, plant and equipment are as follows:

Consolidated	Infrastructure systems				Plant and equipment			Total	Total property, plant and equipment \$ '000
	Land and buildings \$ '000	Road and maritime systems \$ '000	Rail systems \$ '000	Total \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Ferries \$ '000		
<b>At 30 June 2022</b>									
Service concession arrangement 1 – Toll roads	140,189	28,038,743	-	28,038,743	4,609	-	-	4,609	28,183,541
Service concession arrangement 2 – SLR services	141,824	38,570	1,919,009	1,957,579	15,596	678,123	-	693,719	2,793,122
Service concession arrangement 3 – Sydney Metro projects	244,794	-	10,777,496	10,777,496	16,541	785,970	-	802,511	11,824,801
Service concession arrangement 4 – Ferry system contract	13,219	-	-	-	3,768	-	133,098	136,866	150,085
Service concession arrangement 5 – B-Line carparks	38,042	-	-	-	-	-	-	-	38,042
<b>Net carrying amount</b>	<b>578,068</b>	<b>28,077,313</b>	<b>12,696,505</b>	<b>40,773,818</b>	<b>40,514</b>	<b>1,464,093</b>	<b>133,098</b>	<b>1,637,705</b>	<b>42,989,591</b>
<b>At 30 June 2021</b>									
Service concession arrangement 1 – Toll roads	143,913	26,600,439	-	26,600,439	4,921	-	-	4,921	26,749,273
Service concession arrangement 2 – SLR services	145,323	-	1,839,732	1,839,732	17,608	650,091	-	667,699	2,652,754
Service concession arrangement 3 – Sydney Metro projects	242,632	-	9,204,234	9,204,234	10,194	644,686	-	654,880	10,101,746
Service concession arrangement 4 – Ferry system contract	9,068	-	-	-	3,952	-	118,731	122,683	131,751
Service concession arrangement 5 – B-Line carparks	39,021	-	-	-	-	-	-	-	39,021
<b>Net carrying amount</b>	<b>579,957</b>	<b>26,600,439</b>	<b>11,043,966</b>	<b>37,644,405</b>	<b>36,675</b>	<b>1,294,777</b>	<b>118,731</b>	<b>1,450,183</b>	<b>39,674,545</b>

## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

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

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

##### (xii) Service concession assets (cont'd)

###### (a) Initial recognition

For arrangements within the scope of AASB 1059, the entity recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of the entity, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

###### (b) Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment* (AASB 116) and AASB 136 *Impairment of Assets* (AASB 136).

###### (c) At the end of the arrangement

At the end of the service concession arrangement:

- The consolidated entity accounts for the asset in accordance with other accounting standards, and reclassifies the asset based on its nature or function
- Reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13
- The asset is only derecognised when the consolidated entity loses control of the asset in accordance with AASB 116

## **15. Leases**

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

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

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

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$14.0 million (2021: \$46.1 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised right of use assets of \$342.2 million (2021: \$36.9 million) and lease liabilities of \$361.3 million (2021: \$39.0 million).

AASB 16 Leases requires a lessee to recognise a right of use asset and a corresponding lease liability for most leases.

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

### **Property NSW occupancy agreement change for the financial year ended 30 June 2022**

During financial year ended 30 June 2022, the consolidated entity has accepted the changes in the office accommodation arrangements with Property NSW (PNSW). The main change is the introduction of the "substitution right" clause for PNSW to relocate the entity during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, the office accommodation agreement with PNSW is no longer accounted for as a lease within the scope of AASB 16. The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in Other Gains/(Losses) (refer to Note 5). From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

The consolidated entity continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as the consolidated entity receives the economic benefits via using the fit-out or expected compensation from PNSW upon relocation. The incentives received prior to the 30 June 2022 apply to the remaining occupancy period. Therefore, the consolidated entity's accounting treatment for make-good provision and fit-out costs in relation to the relevant accommodation remains unchanged. A liability in relation to the amortised balance of incentives received has been recognised as a liability (refer to Note 22) as at 30 June 2022 and will be amortised during the remaining occupancy period.



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

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

**Right of use assets under leases**

	Notes	Land and buildings \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Buses \$ '000	Rail operating assets <sup>1</sup> \$ '000	Total \$ '000
<b>Balance at 1 July 2021</b>							
Net carrying amount at start of year		1,018,093	120,085	1,754,765	736,436	-	3,629,379
Additions		112,279	34,712	-	93,226	3,981,850	4,222,067
Disposals		(16,511)	(163)	-	(21)	-	(16,695)
Depreciation	2(e)	(85,084)	(26,800)	(73,832)	(103,437)	(394,663)	(683,816)
Re-measurement of leases		10,561	3,019	-	9,417	(365,234)	(342,237)
Other movements		(14,211)	(17,678)	1,494	(4,766)	-	(35,161)
Derecognition of right of use assets <sup>2</sup>	5	(696,752)	-	-	-	-	(696,752)
<b>Balance at 30 June 2022</b>		<b>328,375</b>	<b>113,175</b>	<b>1,682,427</b>	<b>730,855</b>	<b>3,221,953</b>	<b>6,076,785</b>
<b>Balance at 1 July 2020</b>							
Net carrying amount at start of year		1,088,438	120,565	1,828,550	759,498	-	3,797,051
Additions		85,670	38,673	-	82,017	-	206,360
Disposals		(48)	-	-	(1,538)	-	(1,586)
Impairment losses	5	(10,135)	-	-	-	-	(10,135)
Depreciation	2(e)	(84,908)	(25,454)	(73,785)	(103,541)	-	(287,688)
Re-measurement of leases		(37,700)	786	-	-	-	(36,914)
Other movements		(23,224)	(14,485)	-	-	-	(37,709)
<b>Balance at 30 June 2021</b>		<b>1,018,093</b>	<b>120,085</b>	<b>1,754,765</b>	<b>736,436</b>	<b>-</b>	<b>3,629,379</b>

<sup>1</sup> On 1 July 2021, the consolidated entity entered into new commercial agreements with TAHE under which TAHE's rail operating assets are licenced and available for use to the consolidated entity. The agreements were subsequently updated in June 2022 and set out the terms by which TAHE's rail operating assets are licenced and available for use to the consolidated entity. The rail operating assets include stations, rolling stock and land assets as required for operational purposes. The licence fee under the agreement is assessed to be an operating lease arrangement. The lease term is 10 years.

Revision of the commercial terms with TAHE in June 2022 resulted in \$365.2 million net decrease in right of use rail operating assets.

<sup>2</sup> Derecognition of right of use assets in relation to the property leases with PNSW as at 30 June 2022.

The above balance does not include the Sydney Harbour Tunnel finance leases. This is because AASB 16 *Leases* excludes the application of AASB 16 to service concession assets that will be recognised under AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 14.

**Department of Transport**  
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**15. Leases (cont'd)**

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

**Lease liabilities**

The following table presents liabilities under leases:

	Notes	Consolidated 2022 \$ '000	Consolidated 2021 \$ '000
<b>Balance at 1 July</b>		3,859,709	4,016,283
Additions <sup>1</sup>		4,221,914	198,165
Interest expenses	2(g)	307,634	249,531
Payments		(911,078)	(563,418)
Re-measurement of leases <sup>2</sup>		(361,260)	(39,015)
Other movements		(11,367)	(1,837)
Derecognition of lease liabilities <sup>3</sup>	5	(800,859)	-
<b>Balance at 30 June 2022</b>	19	<b>6,304,693</b>	<b>3,859,709</b>

<sup>1</sup> Additions in the current year include lease liabilities on the new commercial agreements with TAHE under which TAHE's rail operating assets are licenced and available for use to the consolidated entity.

<sup>2</sup> Revision of the commercial terms with TAHE in June 2022 resulted in \$358.6 million net decrease in lease liabilities in relation to rail operating assets.

<sup>3</sup> Derecognition of lease liabilities in relation to the property leases with PNSW as at 30 June 2022.

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

	Notes	Consolidated 2022 \$ '000	Consolidated 2021 \$ '000
Depreciation expense of right of use assets	2(e)	683,816	287,688
Interest expense on lease liabilities	2(g)	307,634	249,531
Expense relating to short-term leases	2(b)	1,501	2,704
Expenses relating to leases of low-value assets	2(b)	667	2,818
Variable lease payments, not in lease liabilities	2(b)	7,786	9,439
Losses arising from derecognising right of use assets and lease liabilities	5	(104,107)	-
<b>Total amount recognised in the Statement of comprehensive income</b>		<b>897,297</b>	<b>552,180</b>

The consolidated entity had total cash outflows for leases of \$921.0 million (2021: \$578.3 million).

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

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

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

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

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

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

#### **Recognition and measurement**

The consolidated entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The consolidated entity recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

#### **(i) Right of use assets**

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

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

- Land and buildings 1 to 100 years
- Plant and machinery 1 to 25 years
- Rolling stock 32 to 35 years
- Buses 5 to 25 years
- Rail operating assets 10 years

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

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

#### **(ii) Impairment losses for right of use assets**

The consolidated entity did not recognise any impairment loss for right of use assets during the 2022 financial year (2021: \$10.1 million). Comparative impairment losses for right of use assets are included in Note 4 Other gains/(losses) in the Statement of comprehensive income. The valuation technique used in the fair value measurement is classified as level 3 according to the fair value hierarchy within AASB 13 *Fair Value Measurement*.

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

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

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

**(ii) Impairment losses for right of use assets (cont'd)**

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

<b>Asset description</b>	<b>Valuation technique</b>	<b>Key assumptions</b>	<b>Fair value hierarchy of fair value less cost of disposal assessment</b>
Right of use asset – land and buildings	The net replacement costs and consequent impairment (if any) are determined based on market driven factors across the portfolio of right of use land and building assets.	<ul style="list-style-type: none"> <li>- Right of use assets are stated at fair value</li> <li>- Cost of disposals is immaterial</li> <li>- The rent profile (fixed percentage, market rent review, consumer price index (CPI) or combination) at the lease commencement date represents future market rent forecasts.</li> </ul>	Level 3

The valuation techniques in the table above apply to both 2022 and 2021.

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

	<b>2022 Land and buildings \$'000</b>	<b>2022 Total \$'000</b>	<b>2021 Land and buildings \$'000</b>	<b>2021 Total \$'000</b>
Recoverable amount				
Fair value less costs of disposal:				
Level 1	-	-	-	-
Level 2	-	-	-	-
Level 3	328,375	328,375	1,018,093	1,018,093
<b>Total fair value</b>	<b>328,375</b>	<b>328,375</b>	<b>1,018,093</b>	<b>1,018,093</b>

The discount rate ranges employed in present value technique computations of recoverable amounts at 30 June 2022 and 30 June 2021 are summarised in the below table.

<b>Recoverable amount</b>	<b>Current measurement discount rates</b>	<b>Previous measurement discount rates</b>
Fair value less cost of disposal – discounted cash flow technique	Internal borrowing rates at the valuation date.	Internal borrowing rates at the valuation date.

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

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

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

##### **(iii) Lease liabilities**

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

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

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

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

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

The consolidated entity's lease liabilities are included in Note 19 Borrowings.

##### **(iv) Short-term leases and leases of low-value assets**

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

### **(b) Consolidated entity as a lessor**

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

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

## 15. Leases (cont'd)

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

#### Lessor for finance leases

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

At the lease commencement date, the entity recognises a receivable for assets held under a finance lease in its statement of financial position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease. Initial direct costs.

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

In 2022 and 2021, the consolidated entity was not a lessor for finance leases.

#### Lessor for operating lease

Future minimum rentals receivables (undiscounted) under non-cancellable operating lease as at 30 June 2022 are as follows:

	<b>Consolidated 2022 \$'000</b>	<b>Consolidated 2021 \$'000</b>
Within one year	55,548	59,233
One to two years	49,624	52,616
Two to three years	44,253	47,610
Three to four years	40,051	40,465
Four to five years	30,301	32,024
Later than five years	317,525	432,478
<b>Total (excluding GST)</b>	<b>537,302</b>	<b>664,426</b>

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

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

**Department of Transport**  
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**16. Intangible assets**

Consolidated	Notes	Intangible assets \$'000	Biodiversity credits \$'000	Work in progress \$'000	Total intangibles \$'000
<b>At 30 June 2022</b>					
Cost (gross carrying amount)		1,890,862	68,914	658,242	2,618,018
Accumulated amortisation and impairment		(1,279,712)	-	-	(1,279,712)
<b>Net carrying amount at 30 June 2022</b>		<b>611,150</b>	<b>68,914</b>	<b>658,242</b>	<b>1,338,306</b>
<b>At 30 June 2021</b>					
Cost (gross carrying amount)		1,696,190	76,294	450,231	2,222,715
Accumulated amortisation and impairment		(1,123,293)	-	-	(1,123,293)
<b>Net carrying amount at 30 June 2021</b>		<b>572,897</b>	<b>76,294</b>	<b>450,231</b>	<b>1,099,422</b>
<b>At 30 June 2022</b>					
Net carrying amount at start of year		572,897	76,294	450,231	1,099,422
Additions		-	8,444	254,436	262,880
Disposals	4	(7,643)	-	(1,660)	(9,303)
Retirements		-	(8,430)	-	(8,430)
Reclassification between intangible assets		175,338	-	(175,338)	-
Reclassifications (to)/from PPE	14	73,723	(7,394)	132,776	199,105
Impairment (losses)/reversals	5	1,461	-	-	1,461
Amortisation	2(e)	(204,626)	-	-	(204,626)
Increase/(decrease) in net assets from equity transfer	29(a)	-	-	(2,203)	(2,203)
<b>Net carrying amount at 30 June 2022</b>		<b>611,150</b>	<b>68,914</b>	<b>658,242</b>	<b>1,338,306</b>
<b>At 30 June 2021</b>					
Net carrying amount at start of year		926,314	68,648	498,462	1,493,424
Additions		3,571	12,204	228,572	244,347
Loss of control of TAHE		(278,475)	-	(45,430)	(323,905)
Disposals	4	(573)	-	-	(573)
Retirements		-	(4,558)	-	(4,558)
Reclassification between intangible assets		101,962	-	(101,962)	-
Reclassifications (to)/from PPE	14	29,520	-	(128,455)	(98,935)
Impairment (losses)/reversals	5	(1,825)	-	-	(1,825)
Amortisation	2(e)	(207,597)	-	-	(207,597)
Increase/(decrease) in net assets from equity transfer	29(a)	-	-	(956)	(956)
<b>Net carrying amount at 30 June 2021</b>		<b>572,897</b>	<b>76,294</b>	<b>450,231</b>	<b>1,099,422</b>

There were nil (2021: nil) intangible assets held by the parent.

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

#### Recognition and measurement

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

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

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

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

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

Intangible assets are tested for impairment where an indicator of impairment exists except for assets with an indefinite useful life which are tested for impairment annually. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

#### (i) Service concession assets - intangibles

The net carrying amount of service concession assets included within each class of intangible assets are as follows. The consolidated entity's service concession arrangements are described in Note 14 Property, plant and equipment - Recognition and measurement (xii) Service concession assets.

	Intangible assets \$ '000	Work in progress \$ '000	Total \$ '000
<b>At 30 June 2022</b>			
Service concession arrangement 2 – SLR services	41,821	-	41,821
Service concession arrangement 5 – Ferry system contract	26,489	838	27,327
<b>Net carrying amount</b>	<b>68,310</b>	<b>838</b>	<b>69,148</b>
<b>At 30 June 2021</b>			
Service concession arrangement 2 – SLR services	44,980	-	44,980
Service concession arrangement 5 – Ferry system contract	26,166	225	26,391
<b>Net carrying amount</b>	<b>71,146</b>	<b>225</b>	<b>71,371</b>

#### (a) Initial recognition

For arrangements within the scope of AASB 1059, the consolidated entity recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of the consolidated entity, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.



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

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

**(i) Service concession assets - intangibles (cont'd)**

**(b) Subsequent to initial recognition**

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 138 *Intangible assets* (AASB 138), and AASB 136 *Impairment of Assets*.

**(c) At the end of the arrangement**

At the end of the service concession arrangement:

- The consolidated entity accounts for the asset in accordance with other Australian Accounting Standards and reclassifies the asset based on its nature or function
- Reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13
- The asset is only derecognised when the entity loses control of the asset in accordance with AASB 138.

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**17. 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 2022.

<b>2022</b>	<b>Notes</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total fair value \$'000</b>
<b>Land and buildings</b>	14	-	<b>5,656,584</b>	<b>1,338,212</b>	<b>6,994,796</b>
Plant and equipment		-	-	21,475	21,475
Rolling stock		-	-	1,743,398	1,743,398
Buses		-	-	324,775	324,775
Ferries		-	-	131,592	131,592
<b>Plant and equipment</b>	14	-	-	<b>2,221,240</b>	<b>2,221,240</b>
Road and maritime systems		-	-	139,919,458	139,919,458
Rail systems		-	-	27,997,758	27,997,758
<b>Infrastructure systems</b>	14	-	-	<b>167,917,216</b>	<b>167,917,216</b>
<b>Non-current assets held for sale</b>	12	-	<b>29,693</b>	-	<b>29,693</b>
<b>Fair value at 30 June 2022</b>		-	<b>5,686,277</b>	<b>171,476,668</b>	<b>177,162,945</b>

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2021.

<b>Restated 2021</b>	<b>Notes</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total fair value \$'000</b>
<b>Land and buildings</b>	14	-	<b>5,111,640</b>	<b>1,285,372</b>	<b>6,397,012</b>
Plant and equipment		-	-	21,823	21,823
Rolling stock		-	-	1,591,127	1,591,127
Buses		-	-	330,649	330,649
Ferries		-	-	101,109	101,109
<b>Plant and equipment</b>	14	-	-	<b>2,044,708</b>	<b>2,044,708</b>
Road and maritime systems		-	-	127,827,159	127,827,159
Rail systems		-	-	22,625,540	22,625,540
<b>Infrastructure systems</b>	14	-	-	<b>150,452,699</b>	<b>150,452,699</b>
<b>Non-current assets held for sale</b>	12	-	<b>36,200</b>	-	<b>36,200</b>
<b>Restated fair value at 30 June 2021</b>		-	<b>5,147,840</b>	<b>153,782,779</b>	<b>158,930,619</b>

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

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

#### **Recognition and measurement**

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

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

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

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

Refer to Note 28 for disclosures regarding fair value measurements of financial assets.

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

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

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

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

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

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

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

### (c) Valuation processes and inputs

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

- Sydney Metro Northwest rail assets (excluding land) were valued by E3 Advisory Pty Ltd.
- Sydney Metro Northwest and City & Southwest land assets were valued by Colliers International.
- Land and buildings in TfNSW were valued by Opteon, CBRE, Acumentis and Country Coast Valuers.
- Buses were valued by AON.

In addition, indices reviewed by independent experts were used to carry out interim valuations assessments for the following assets:

- Roads, Bridges and Tunnels (including service concession assets) were valued by applying the annual movement of the Roads and Bridge Construction Index (RBCI).
- Land under roads and tracks (including service concession assets) were valued by applying the latest available NSW Valuer General's urban average rateable values by Local Government Area.
- Traffic controls network, traffic signals network and maritime assets were valued by applying the relevant indices.
- Rolling stock, ferries and infrastructure rail assets were reviewed for the movement in appropriate indices.
- Road, rail, maritime, metro infrastructure and land under rail infrastructure assets under construction.

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

- **Land and buildings** - 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. Land and buildings measured at level 3 include service concession buildings for toll roads.
- **Plant and equipment** – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.
- **Light rail infrastructure and rolling stock** - replacement costs, construction project costs, length of the tracks, overhead power and stabling yards, number of stops/stations, economic working lives of the assets, expired and remaining economic life, depreciation methods, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Trackwork and other rail infrastructure assets** – raw materials and labour rates, pricing for tracks/wiring, construction methodology, structural foundations, and other specific allowances were estimated by the external valuer to establish the optimised replacement cost of each asset, taking into consideration historical data, existing assets and current railway infrastructure technologies. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry.

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

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

- **Other rolling stock** - prices from relevant contracts awarded for the manufacture of the asset, international transportation costs, structural modification costs and 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 (including toll roads)** - unit replacement rates for road, bridge and traffic control signal infrastructure valuation is carried out by externally engaged qualified valuers by reference to unit prices quoted in the most recent relevant infrastructure construction tender documents, where the price range is adjusted to eliminate outlier amounts. Road infrastructure assets are initially measured at construction cost and the annual percentage increase in the Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI) is applied each year until the following revaluation is undertaken. Components are depreciated over their estimated useful life depending on component type or remaining useful life depending on assets' condition. Land under roads and tracks, and within road reserves are revalued annually by applying the most recent urban rateable average value per hectare provided by the Valuer General to the land under roads and tracks, and within reserves within each Local Government Area.
- **Ferries** - current replacement cost, including delivery and professional fees were estimated by the external valuer based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the agreed criteria with management. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.
- **Owned buses** – current replacement cost estimates are based on the most recent cost prices for the buses and current Transport for NSW Bus Procurement Panel pricing for Rural and Regional Urban and School bus types, as quoted by numerous chassis and bus providers. End of life residual value, exponential decay curve and disposal costs were estimated by the external valuer based on the current market sales evidence and common valuation practice for buses.
- **Non-current asset held for sale** - rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.
- **Leasehold improvement make good** - restoration cost per square metre, inflation rate, market yield on Government bonds, lease terms are estimated and obtained by management.

The determination of unit replacement rates is carried out by suitably qualified external valuers, engineering contractors and employees of the Transport cluster.

During the year, the consolidated entity transferred land and buildings and infrastructure assets in Transport for NSW and Sydney Metro between level 2 and level 3.

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

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

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

	Land and buildings \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Buses \$ '000	Ferries \$ '000	Road and maritime systems \$ '000	Rail systems \$ '000	Total \$ '000
<b>2022</b>								
Restated fair value as at 1 July	1,285,372	21,823	1,591,127	330,649	101,109	127,827,159	22,625,540	153,782,779
Additions	-	-	-	8,710	9,023	6,018,887	6,753,476	12,790,096
Revaluation increment/(decrement) recognised in net result	(783,707)	-	-	-	12,894	-	-	(770,813)
Revaluation increment/(decrement) recognised in equity	(225,669)	6,715	212,454	29,358	-	7,566,926	1,775,549	9,365,333
Transfer (to)/from Level 2	(109,137)	-	-	-	-	24,875	(57,883)	(142,145)
Transfer to councils, NSW government agencies & other parties	54,417	-	-	-	-	(107,969)	(327,746)	(381,298)
Recognition of assets	-	-	-	-	-	1,527	-	1,527
Assets transferred (to)/from non-current assets held for sale	(53,989)	-	-	-	-	-	(188)	(54,177)
Disposals	(2,378)	(3,517)	-	(1,157)	-	(97,858)	(2,686)	(107,596)
Depreciation expense	(28,799)	(3,746)	(60,183)	(42,038)	(10,046)	(2,307,701)	(245,831)	(2,698,344)
Other movements	(1,444)	-	-	-	-	-	-	(1,444)
Reclassification (to)/from other assets	-	200	-	-	-	(45,800)	(148,281)	(193,881)
Reclassification between PPE classes	1,203,546	-	-	(747)	18,612	1,039,412	(2,325,385)	(64,562)
Increase/(decrease) in net assets from equity transfer	-	-	-	-	-	-	(48,807)	(48,807)
<b>Fair value at 30 June 2022</b>	<b>1,338,212</b>	<b>21,475</b>	<b>1,743,398</b>	<b>324,775</b>	<b>131,592</b>	<b>139,919,458</b>	<b>27,997,758</b>	<b>171,476,668</b>

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

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

	Land and buildings	Plant and equipment	Rolling stock	Buses	Ferries	Road and maritime systems	Rail systems	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>2021</b>								
Fair value as at 1 July	711,495	268,911	3,485,952	347,740	63,880	122,953,431	56,713,235	184,544,644
Restatement of property, plant and equipment	262,211	-	-	-	-	127,262	(870,216)	(480,743)
<b>Restated fair value as at 1 July</b>	<b>973,706</b>	<b>268,911</b>	<b>3,485,952</b>	<b>347,740</b>	<b>63,880</b>	<b>123,080,693</b>	<b>55,843,019</b>	<b>184,063,901</b>
Additions	-	315	-	30,080	27,373	7,400,896	5,706,716	13,165,380
Revaluation increment/(decrement) recognised in equity	(95,191)	-	30,619	-	-	271,170	382,294	588,892
Revaluation increment/(decrement) recognised in net result	(1,336,174)	-	-	-	-	-	-	(1,336,174)
Transfers (to)/from Level 2	287,483	-	-	-	-	(377,599)	-	(90,116)
Transfer to councils, NSW government agencies & other parties	(29,244)	-	-	-	-	(571,207)	(309,862)	(910,313)
Recognition of assets	2,471	-	-	-	-	493	-	2,964
Disposals	(4,758)	(61)	-	(2,068)	-	(354,259)	(28,987)	(390,133)
Loss of control of TAHE	(713)	(244,433)	(1,867,247)	-	-	-	(37,626,365)	(39,738,758)
Depreciation expense	(28,402)	(4,374)	(58,303)	(45,103)	(10,682)	(2,210,845)	(245,810)	(2,603,519)
Reclassification (to)/from other assets	-	-	-	-	-	-	(196,008)	(196,008)
Other movements	-	-	-	-	2,344	-	123,837	126,181
Reclassification between PPE classes	1,514,285	1,465	106	-	18,194	(280,599)	(1,029,417)	224,034
Net increase/(decrease) in assets from administrative restructure	1,909	-	-	-	-	868,416	6,123	876,448
<b>Restated fair value as at 30 June 2021</b>	<b>1,285,372</b>	<b>21,823</b>	<b>1,591,127</b>	<b>330,649</b>	<b>101,109</b>	<b>127,827,159</b>	<b>22,625,540</b>	<b>153,782,779</b>

## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

### 18. Payables

	Consolidated 2022 \$'000	Consolidated 2021 <sup>1</sup> \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Trade creditors	243,042	138,578	1,509	-
Accrued salaries, wages and on-costs	111,140	95,925	856	2
Accruals	2,893,261	2,551,275	265	243
Creditors arising from compulsory acquisitions	340,551	1,639,877	-	-
Other creditors	16,086	80,203	18	-
<b>Current payables</b>	<b>3,604,080</b>	<b>4,505,858</b>	<b>2,648</b>	<b>245</b>

<sup>1</sup>In the 2021 financial statements, the consolidated entity recognised a non-current payable of \$354.7 million in relation to the amounts owed to the vendor upon completion. In 2022, this amount was reclassified as Other financial liabilities at amortised cost in Note 19 Borrowings.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 28.

#### Recognition and measurement

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

### 19. Borrowings

	Notes	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Lease liabilities	15	474,287	257,650	-	-
Service concession financial liabilities <sup>1</sup>		262,013	1,913,760	-	-
Financial liabilities at fair value		798	1,136	-	-
<b>Current borrowings</b>		<b>737,098</b>	<b>2,172,546</b>	<b>-</b>	<b>-</b>
Lease liabilities	15	5,830,406	3,602,059	-	-
Service concession financial liabilities <sup>1</sup>		3,563,003	3,500,573	-	-
Other financial liabilities at amortised cost <sup>2</sup>		491,926	354,684	-	-
Financial liabilities at fair value		81	1,676	-	-
<b>Non-current borrowings</b>		<b>9,885,416</b>	<b>7,458,992</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Service concession financial liabilities relate to contractual payments to be made to the third party operator, refer to Note 14 for further details on the consolidated entity's service concession arrangements.

<sup>2</sup>In the 2021 financial statements, the consolidated entity recognised a non-current payable of \$354.7 million in relation to the amounts owed to the vendor upon completion. In 2022, this amount was reclassified as Other financial liabilities at amortised cost from Note 18 Payables.



## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

### 19. Borrowing (cont'd)

#### Repayment of borrowings

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Not later than one year	737,098	2,172,546	-	-
Later than one year and not later than five years	5,249,425	2,041,891	-	-
Later than five years	4,635,991	5,417,101	-	-
<b>Repayment of borrowings</b>	<b>10,622,514</b>	<b>9,631,538</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 28.

#### Recognition and measurement

##### (i) Borrowings

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

The service concession financial liability represents the contractual obligation to pay the operator as compensation for providing the service concession asset. It is measured as a liability in accordance with AASB 9 *Financial Instruments*. Interest is charged on the service concession financial liability and recognised in interest expense, based on the interest rate implicit in the arrangement. The liability is reduced over the term of the arrangement through cash payments to the operator.

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

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

##### (ii) Financial liabilities at fair value

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

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

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

**Department of Transport**  
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**19. Borrowings (cont'd)**

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

**(ii) Financial liabilities at fair value (cont'd)**

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

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

**(iii) Financial guarantees**

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

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

The consolidated entity has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2022 and as at 30 June 2021. However, refer to Note 24 regarding disclosures on contingent liabilities.

**Changes in liabilities arising from financing activities**

	TCorp borrowings	Lease liabilities	Service concession arrangements	Financial liabilities at fair value	Financial liabilities at amortised cost	Total liabilities from financing activities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	-	3,859,709	5,414,333	2,812	354,684	9,631,538
Cash flows	-	(911,078)	(1,942,903)	-	-	(2,853,981)
Additions during the year <sup>1</sup>	-	4,221,914	273,740	-	137,242	4,632,896
Interest expense	-	307,634	-	-	-	307,634
Re-measurement of leases	-	(361,260)	-	-	-	(361,260)
Derecognition of leases	-	(800,859)	-	-	-	(800,859)
Other	-	(11,367)	79,846	(1,933)	-	66,546
<b>Balance at 30 June 2022</b>	<b>-</b>	<b>6,304,693</b>	<b>3,825,016</b>	<b>879</b>	<b>491,926</b>	<b>10,622,514</b>
Balance at 1 July 2020	2,504,539	4,016,283	6,173,683	7,344	-	12,701,849
Cash flows	-	(563,418)	(779,036)	-	-	(1,342,454)
Additions during the year <sup>1</sup>	-	198,165	305,737	-	354,684	858,586
Loss of control of TAHE	(2,504,539)	-	(260,100)	-	-	(2,764,639)
Interest expense	-	249,531	-	-	-	249,531
Transfer (to)/from GORTO liability	-	-	(24,514)	-	-	(24,514)
Re-measurement of leases	-	(39,015)	-	-	-	(39,015)
Other	-	(1,837)	(1,437)	(4,532)	-	(7,806)
<b>Restated balance at 30 June 2021</b>	<b>-</b>	<b>3,859,709</b>	<b>5,414,333</b>	<b>2,812</b>	<b>354,684</b>	<b>9,631,538</b>

<sup>1</sup>Additions in 2022 mainly relate to the rail operating assets leased from TAHE. Additions in 2021 mainly related to the Sydney Metro City and Southwest service concession arrangements.

There were no changes in liabilities from financing activities arising in respect of the parent (2021: none).

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**20. Employee benefits**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Annual leave <sup>1</sup>	471,881	440,109	5,056	13
Long service leave <sup>1</sup>	343,651	447,073	1,067	-
Workers compensation insurance	29,114	21,777	-	-
Payroll tax	9,635	7,966	640	-
Public holidays	15,267	14,075	-	-
Severance payments/redundancies	5,932	32,964	-	-
<b>Current employee benefits and related on-costs</b>	<b>875,480</b>	<b>963,964</b>	<b>6,763</b>	<b>13</b>
Long service leave	24,687	38,305	115	-
Severance payments/redundancies	8,304	-	-	-
Workers compensation insurance	78,865	74,741	-	-
Superannuation	425,175	876,429	-	-
<b>Non-current employee benefits and related on-costs</b>	<b>537,031</b>	<b>989,475</b>	<b>115</b>	<b>-</b>

<sup>1</sup> It is estimated that the provision for annual leave includes \$203.8 million (2021: \$190.5 million) and the provision for long service leave includes \$280.0 million (2021: \$440.0 million) that is expected to be taken more than 12 months after the balance date.

Due to the transfer of State Transit Authority of NSW (STA) operations, the consolidated entity made payments of \$70.4 million to the private operators to settle the STA region 7,8 and 9 employees' annual leave liabilities and long service leave liabilities in the current financial year.

**Recognition and measurement**

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

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although simplified methods are permitted). Consistent with Treasury guidance, the consolidated entity uses a nominal approach plus the annual leave on annual leave liability using certain rate factors (including 8.4% of the nominal value of annual leave as advised by Treasury) to approximate the present value of the annual leave liability. The consolidated entity has determined that the effect of discounting is immaterial to annual leave.

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

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

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

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

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

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

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

#### **(ii) Long service leave and superannuation (cont'd)**

Apart from the parent entity and some Transport Service of New South Wales employees, the controlled entities are responsible for funding their employees' accrued long service leave entitlements which are reported under employee benefits. However, in the case of the parent entity and some Transport Service employees, the long service leave liabilities are assumed by the Crown and accordingly are recognised in the Statement of comprehensive income as "Acceptance by the Crown 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. It is measured as the difference between the present value of members' accrued benefits (as determined by actuaries) as at reporting date and the fair value of the superannuation scheme's assets at that date, determined through actuarial assessment. Actuarial gains and losses are recognised outside of the net result in the other comprehensive income in the year in which they occur.

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

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

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

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

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

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

This overview only relates to those employees whose defined benefit superannuation schemes are not assumed by the Crown. STA Employment Group defined benefit superannuation schemes were assumed by the Crown as at 6 December 2021.

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

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

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for the year ended 30 June 2022

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

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
<b>Member numbers</b>				
Contributors	1,092	1,092	-	
Deferred benefits	-	-	-	
Pensioners	470	-	5	
Pensions fully commuted	-	-	-	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation position for AASB 119 purposes</b>				
Accrued liability <sup>1</sup>	1,329,702	102,879	7,562	1,440,143
Estimated reserve account balance	(935,323)	(76,040)	(3,605)	(1,014,968)
<b>Deficit/(surplus)</b>	<b>394,379</b>	<b>26,839</b>	<b>3,957</b>	<b>425,175</b>
Future service liability <sup>2</sup>	8,005	20,323	-	28,328
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>394,379</b>	<b>26,839</b>	<b>3,957</b>	<b>425,175</b>
<b>Year ended 30 June 2021</b>				
<b>Member numbers</b>				
Contributors	1,387	1,388	1	
Deferred benefits	-	-	-	
Pensioners	637	-	20	
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>	1,975,091	139,323	29,545	2,143,959
Estimated reserve account balance	(1,149,934)	(100,223)	(17,373)	(1,267,530)
<b>Deficit/(surplus)</b>	<b>825,157</b>	<b>39,100</b>	<b>12,172</b>	<b>876,429</b>
Future service liability <sup>2</sup>	17,133	31,771	63	48,967
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>825,157</b>	<b>39,100</b>	<b>12,172</b>	<b>876,429</b>

<sup>1</sup>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%.

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

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

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

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)
- Police Superannuation Scheme (PSS)

## 20. Employee benefits (cont'd)

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

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

All the Schemes are closed to new members.

- **Description of the regulatory framework**

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2021. The next actuarial investigation will be performed as at 30 June 2024.

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

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

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

- **Description of risks**

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

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

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

for the year ended 30 June 2022

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

• **Description of risks (cont'd)**

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

• **Description of significant events**

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

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

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Net defined benefit liability/(asset) at start of year	825,157	39,100	12,172	876,429
Current service cost	6,317	4,283	103	10,703
Net Interest on the net defined benefit liability/(asset)	11,066	585	129	11,780
Actual return on Fund assets less Interest income	20,356	1,434	(301)	21,489
Actuarial (gains)/losses from changes in financial assumptions	(305,198)	(13,899)	(1,970)	(321,067)
Actuarial (gains)/losses from liability experience	(12,861)	(4,828)	238	(17,451)
Employer contributions	(14,373)	(6,662)	-	(21,035)
Transfer out - external party	(2,959)	(229)	-	(3,188)
Transfer out to the Crown	(133,126)	7,055	(6,414)	(132,485)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>394,379</b>	<b>26,839</b>	<b>3,957</b>	<b>425,175</b>

<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Net defined benefit liability/(asset) at start of year	1,108,691	59,709	46,872	1,215,272
Less: effect of loss of control of TAHE <sup>1</sup>	(182,202)	-	(29,671)	(211,873)
Current service cost	10,631	4,912	182	15,725
Net Interest on the net defined benefit liability/(asset)	7,950	487	148	8,585
Actual return on Fund assets less Interest income	(124,349)	(10,923)	(1,927)	(137,199)
Actuarial (gains)/losses from changes in financial assumptions	(119,129)	(8,366)	(1,686)	(129,181)
Actuarial (gains)/losses from liability experience	54,255	(1,840)	(1,484)	50,931
Employer contributions	(25,699)	(7,589)	-	(33,288)
Actuarial (gains)/losses arising from changes in demographic assumptions	95,009	2,710	(262)	97,457
<b>Net defined benefit liability/(asset) at end of year</b>	<b>825,157</b>	<b>39,100</b>	<b>12,172</b>	<b>876,429</b>

<sup>1</sup>TAHE is no longer included in the results of the consolidated entity from 1 July 2020, refer to Note 29(c) for details.

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**Notes to the financial statements**

for the year ended 30 June 2022

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

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

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Fair value of fund assets at beginning of the year	1,149,934	100,223	17,373	1,267,530
Interest income	15,574	1,316	139	17,029
Actual return on Fund assets less Interest income	(20,356)	(1,434)	301	(21,489)
Employer contributions	14,373	6,662	-	21,035
Contributions by participants	8,727	-	18	8,745
Benefits paid	(124,705)	(15,297)	(580)	(140,582)
Taxes, premiums & expenses paid	(930)	(1,037)	51	(1,916)
Transfer out - external party	(11,874)	(1,218)	-	(13,092)
Transfer out to the Crown	(95,420)	(13,175)	(13,697)	(122,292)
<b>Fair value of fund assets at end of the year</b>	<b>935,323</b>	<b>76,040</b>	<b>3,605</b>	<b>1,014,968</b>

<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Fair value of fund assets at beginning of the year	1,208,269	92,153	34,259	1,334,681
Less: effect of loss of control of TAHE	(145,782)	-	(18,004)	(163,786)
Interest income	8,864	754	137	9,755
Actual return on Fund assets less Interest income	124,349	10,923	1,927	137,199
Employer contributions	25,699	7,589	-	33,288
Contributions by participants	9,417	-	26	9,443
Benefits paid	(86,696)	(10,852)	(1,141)	(98,689)
Taxes, premiums & expenses paid	5,814	(344)	169	5,639
<b>Fair value of fund assets at end of the year</b>	<b>1,149,934</b>	<b>100,223</b>	<b>17,373</b>	<b>1,267,530</b>

• **Reconciliation of the defined benefit obligation**

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Present value of defined benefit obligations at beginning of the year	1,975,091	139,323	29,545	2,143,959
Current service cost	6,317	4,283	103	10,703
Interest cost	26,640	1,901	268	28,809
Contributions by participants	8,727	-	18	8,745
Actuarial (gains)/losses from changes in financial assumptions	(305,198)	(13,899)	(1,970)	(321,067)
Actuarial (gains)/losses from liability experience	(12,861)	(4,828)	238	(17,451)
Benefits paid	(124,705)	(15,297)	(580)	(140,582)
Taxes, premiums & expenses paid	(930)	(1,037)	51	(1,916)
Transfer out - external party	(14,834)	(1,447)	-	(16,281)
Transfer out to the Crown	(228,545)	(6,120)	(20,111)	(254,776)
<b>Present value of defined benefit obligations at end of the year</b>	<b>1,329,702</b>	<b>102,879</b>	<b>7,562</b>	<b>1,440,143</b>



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**Notes to the financial statements**

for the year ended 30 June 2022

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

• **Reconciliation of the defined benefit obligation (cont'd)**

<b>Year ended 30 June 2021</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Present value of defined benefit obligations at beginning of the year	2,316,960	151,862	81,131	2,549,953
Less: effect of loss of control of TAHE	(327,984)	-	(47,675)	(375,659)
Current service cost	10,631	4,912	182	15,725
Interest cost	16,814	1,241	285	18,340
Contributions by participants	9,417	-	26	9,443
Actuarial (gains)/losses arising from changes in demographic assumptions	95,009	2,710	(262)	97,457
Actuarial (gains)/losses arising from changes in financial assumptions	(119,129)	(8,366)	(1,686)	(129,181)
Actuarial (gains)/losses from liability experience	54,255	(1,840)	(1,484)	50,931
Benefits paid	(86,696)	(10,852)	(1,141)	(98,689)
Taxes, premiums & expenses paid	5,814	(344)	169	5,639
<b>Present value of defined benefit obligations at end of the year</b>	<b>1,975,091</b>	<b>139,323</b>	<b>29,545</b>	<b>2,143,959</b>

• **Reconciliation of the effect of the asset ceiling**

<b>Year ended 30 June 2022</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
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>

<b>Year ended 30 June 2021</b>	<b>SASS \$ '000</b>	<b>SANCS \$ '000</b>	<b>SSS \$ '000</b>	<b>Total \$ '000</b>
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

• **Fair value of fund assets**

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

Year ended 30 June 2022	Total	Quoted prices	Significant	Unobservable
		in active	observable	inputs
Asset category	\$ '000	markets for	Level 2	Level 3
		identical assets	\$ '000	Level 3
		Level 1		Level 3
		\$ '000	\$ '000	\$ '000
Short Term Securities	5,041,192	1,854,969	3,186,223	-
Australian Fixed Interest	244,972	-	244,972	-
International Fixed Interest	1,439,643	4,287	1,415,027	20,329
Australian Equities	6,518,777	5,893,947	622,584	2,246
International Equities	12,174,407	12,002,063	169,289	3,055
Property	2,362,344	-	-	2,362,344
Alternatives	9,095,720	(637)	2,160,192	6,936,165
<b>Total</b>	<b>36,877,055</b>	<b>19,754,629</b>	<b>7,798,287</b>	<b>9,324,139</b>

Year ended 30 June 2021	Total	Quoted prices	Significant	Unobservable
		in active	observable	inputs
Asset category	\$ '000	markets for	Level 2	Level 3
		identical assets	\$ '000	Level 3
		Level 1		Level 3
		\$ '000	\$ '000	\$ '000
Short Term Securities	5,108,370	2,398,668	2,709,702	-
Australian Fixed Interest	903,816	-	903,816	-
International Fixed Interest	1,755,026	45,227	1,709,799	-
Australian Equities	8,310,657	8,308,316	2,341	-
International Equities	13,889,680	13,884,532	5,148	-
Property	3,287,730	626,961	-	2,660,769
Alternatives	8,529,711	759	2,709,828	5,819,124
<b>Total</b>	<b>41,784,990</b>	<b>25,264,463</b>	<b>8,040,634</b>	<b>8,479,893</b>

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

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

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

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

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

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

	<b>2022</b>	<b>2021</b>
	%	%
Short term securities	13.7	12.2
Australian fixed interest	0.7	2.2
International fixed interest	3.9	4.2
Australian equities	17.6	19.9
International equities	33.0	33.2
Property	6.4	7.9
Alternatives	24.7	20.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

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

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

The fair value of the Pooled Fund assets as at 30 June 2022 include nil (2021: \$41.4 million) in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$362 million (30 June 2021: \$328 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$540 million (30 June 2021: \$443 million).

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

• **Significant actuarial assumptions at the reporting date**

	<b>2022</b>	<b>2021</b>
Discount rate	3.69% pa	1.50% pa
Salary increase rate (excluding promotional increases)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Rate of CPI increase	4.00% for 21/22; 5.50% for 22/23; 3.00% for 23/24 and 24/25; 2.75% for 25/26 and 26/27; 2.50% pa thereafter	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report on the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are as per the 2021 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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**20. Employee benefits (cont'd)**

• **Sensitivity analysis**

The entity's total defined benefit obligation as at 30 June 2022 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 2022.

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 2022</b>	<b>Base case</b>	<b>Scenario A</b>	<b>Scenario B</b>
		<b>-0.5% discount rate</b>	<b>+0.5% discount rate</b>
Discount rate	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	1,440,142	1,512,710	1,374,279
	<b>Base case</b>	<b>Scenario C</b>	<b>Scenario D</b>
		<b>+0.5% rate of CPI increase</b>	<b>-0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	1,440,142	1,491,587	1,393,230
	<b>Base case</b>	<b>Scenario E</b>	<b>Scenario F</b>
		<b>+0.5% Salary increase rate</b>	<b>-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	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation (\$'000)	1,440,142	1,459,686	1,421,305
	<b>Base case</b>	<b>Scenario G</b>	<b>Scenario H</b>
		<b>Higher pensioner mortality rates <sup>1</sup></b>	<b>Lower pensioner mortality rates <sup>2</sup></b>
Defined benefit obligation (\$'000)	1,440,142	1,442,831	1,420,998

<sup>1</sup> Assumes the short term pensioner mortality improvement factors for years 2022-2026 also apply for years after 2026.

<sup>2</sup> Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2022 to 2026.

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

## 20. Employee benefits (cont'd)

- **Sensitivity analysis (cont'd)**

The entity's total defined benefit obligation as at 30 June 2021 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 2021.

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

Year ended 30 June 2021	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	2,143,959	2,277,592	2,024,279
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	2,143,959	2,238,482	2,058,412
	Base case	Scenario E +0.5% Salary increase rate	Scenario F -0.5% Salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation (\$'000)	2,143,959	2,177,133	2,112,056
	Base case	Scenario G Higher pensioner mortality rates <sup>1</sup>	Scenario H Lower pensioner mortality rates <sup>2</sup>
Defined benefit obligation (\$'000)	2,143,959	2,137,421	2,094,647

<sup>1</sup> Assumes the short term pensioner mortality improvement factors for years 2021 - 2026 also apply for years after 2026.

<sup>2</sup> Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for years 2021– 2026.

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

- **Asset-Liability matching strategies**

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

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

• **Funding arrangements**

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

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

• **Surplus/deficit**

The following is a summary of the 30 June 2022 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities* (AASB 1056):

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Accrued benefits	1,016,563	86,537	4,541	1,107,641
Net market value of Fund assets	(935,323)	(76,040)	(3,605)	(1,014,968)
<b>Net (surplus)/deficit</b>	<b>81,240</b>	<b>10,497</b>	<b>936</b>	<b>92,673</b>

<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Accrued benefits	1,234,124	104,808	15,017	1,353,949
Net market value of Fund assets	(1,149,934)	(100,223)	(17,373)	(1,267,530)
<b>Net (surplus)/deficit</b>	<b>84,190</b>	<b>4,585</b>	<b>(2,356)</b>	<b>86,419</b>

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

• **Contribution recommendations**

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>% p.a.</b>	<b>% p.a.</b>	<b>% p.a.</b>
Different contributions are recommended for each entity in the consolidated entity. The contributions rates were:			
STA Employment Group (Transport Services)	n/a	n/a	n/a

<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>% p.a.</b>	<b>% p.a.</b>	<b>% p.a.</b>
Different contributions are recommended for each entity in the consolidated entity. The contributions rates were:			
STA Employment Group (Transport Services)	n/a	n/a	n/a

## 20. Employee benefits (cont'd)

- Economic assumptions**

The economic assumptions adopted for the 30 June 2022 AASB 1056 are:

<b>Weighted-average assumptions</b>	<b>2022</b>	<b>2021</b>
Expected rate of return on Fund assets backing current pension liabilities	7.0% pa	6.5% pa
Expected rate of return on Fund assets backing other liabilities	6.2% pa	5.7% pa
Expected salary increase rate (excluding promotional salary increases)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26 and 3.2% pa thereafter	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Expected rate of CPI increase	4.8% for 21/22 and 2.5% pa thereafter	2.0% pa

- Sensitivity analysis – accrued benefits**

In light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for AASB 119 paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, the sensitivities to this assumption for the AASB 1056 results is shown below:

Scenarios A and B relate to the sensitivity of the Accrued Benefits under AASB 1056 to changes in the expected return on Fund assets.

<b>Year ended 30 June 2022</b>	<b>Base case</b>	<b>Scenario A -0.5% return</b>	<b>Scenario B +0.5% return</b>
Expected rates of return on Fund assets	7.0%/6.2%	6.5%/5.7%	7.5%/6.7%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued Benefits (\$'000)	1,107,640	1,142,953	1,075,083

  

<b>Year ended 30 June 2021</b>	<b>Base case</b>	<b>Scenario A -0.5% return</b>	<b>Scenario B +0.5% return</b>
Expected rates of return on Fund assets	6.5%/5.7%	6.0%/5.2%	7.0%/6.2%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued Benefits (\$'000)	1,353,949	1,397,418	1,313,895



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

• **Expected contributions**

<b>Year ended 30 June 2023</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Expected employer contributions year	3,600	16,700	-	20,300

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Expected employer contributions year	21,816	252	-	22,068

• **Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation is 11 years (2021: 13 years).

• **Profit and loss impact**

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Current service cost	6,317	4,283	103	10,703
Net interest	11,066	585	129	11,780
<b>Defined benefit cost</b>	<b>17,383</b>	<b>4,868</b>	<b>232</b>	<b>22,483</b>

<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Current service cost	10,631	4,912	182	15,725
Net interest	7,950	487	148	8,585
<b>Defined benefit cost</b>	<b>18,581</b>	<b>5,399</b>	<b>330</b>	<b>24,310</b>

• **Other comprehensive income**

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Actuarial (gains)/losses on liabilities	(318,059)	(18,727)	(1,732)	(338,518)
Actual return on Fund assets less Interest income	20,356	1,434	(301)	21,489
<b>Total remeasurement in Other Comprehensive Income</b>	<b>(297,703)</b>	<b>(17,293)</b>	<b>(2,033)</b>	<b>(317,029)</b>

<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Actuarial (gains)/losses on liabilities	30,135	(7,496)	(3,434)	19,205
Actual return on Fund assets less Interest income	(124,349)	(10,923)	(1,927)	(137,199)
<b>Total remeasurement in Other Comprehensive Income</b>	<b>(94,214)</b>	<b>(18,419)</b>	<b>(5,361)</b>	<b>(117,994)</b>

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**21. Other provisions**

	<b>Consolidated 2022 \$'000</b>	<b>Consolidated 2021 \$'000</b>	<b>Parent 2022 \$'000</b>	<b>Parent 2021 \$'000</b>
Ballast disposal <sup>1</sup>	1,275	846	-	-
Land and buildings remediation	62,092	8,312	-	-
Lease make good costs	9,629	4,954	-	-
Legal and related claims <sup>1</sup>	226	1,692	-	-
Property reimbursement claims <sup>1,2</sup>	12,412	6,299	-	-
Public liability claims <sup>1</sup>	4,167	3,844	-	-
Integrated Station Development payment obligations	33,503	31,069	-	-
COVID-19 construction pause	139,827	-	-	-
Bid costs	130,000	-	-	-
Other <sup>1</sup>	33,037	32,667	-	-
<b>Current other provisions</b>	<b>426,168</b>	<b>89,683</b>	<b>-</b>	<b>-</b>
Land and buildings remediation	38,818	24,658	-	-
Lease make good costs	22,058	31,741	-	-
Provision for biodiversity	2,642	2,642	-	-
Other <sup>1</sup>	1,100	-	-	-
<b>Non-current other provisions</b>	<b>64,618</b>	<b>59,041</b>	<b>-</b>	<b>-</b>

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

<sup>2</sup>2021 had reclassification of \$4.0 million from Other to Property reimbursement claims within Current other provisions.

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**21. 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:

	Land and buildings remediation	Lease make good costs	Integrated Station Development payment obligations	Provision for biodiversity	COVID-19 construction pause	Bid costs	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the financial year	32,970	36,695	31,069	2,642	-	-	45,348	148,724
Additional provision recognised	80,246	1,864	2,434	-	139,827	130,000	51,382	405,753
Amounts used	(11,061)	(1,384)	-	-	-	-	(37,583)	(50,028)
Unused amounts reversed	(1,245)	(7,987)	-	-	-	-	(6,064)	(15,296)
Unwinding/change in discount rate	-	2,499	-	-	-	-	(866)	1,633
<b>Carrying amount at the end of the financial year</b>	<b>100,910</b>	<b>31,687</b>	<b>33,503</b>	<b>2,642</b>	<b>139,827</b>	<b>130,000</b>	<b>52,217</b>	<b>490,786</b>

**Land and buildings remediation**

The provision of \$100.9 million (2021: \$33.0 million) represents obligations in relation to contaminated land. This includes \$94.8 million (2021: \$25.5 million) in relation to work required for Sydney Metro projects.

**Lease make good**

The lease made good provision of \$31.7 million (2021: \$36.7 million) recognises the consolidated entity's obligations to dismantle, remove and restore items of property, plant and equipment on the leased properties to its original condition at the conclusion of the lease. The amount of the provision is the best estimate of the expenditure required to settle the present obligations, discounted to reflect the present value of such expenditures.

**Integrated Station Development payment obligations**

The provision of \$33.5 million (2021: \$31.1 million) represents future payment obligations in relation to Sydney Metro Integrated Station Development arrangements.

**Biodiversity**

The provision of \$2.6 million (2021: \$2.6 million) recognises the best estimate of the expenditure required to settle biodiversity credits arising from construction works as well as maintain the required level of biodiversity on land.

**COVID-19 construction pause**

The provision of \$139.8 million (2021: nil) include delays and additional cost claims received from the subcontractors as a result of disruptions to construction activity in July 2021. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation including timing of the settlement.

**Bid costs**

\$130.0 million (2021: nil) provision for bid costs of the procurement phase of the Western Sydney Airport project.

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

### **Other provisions**

Other provisions of \$52.2 million (2021: \$45.3 million) include the following:

- \$9.0 million (2021: nil) provision for damage to properties including tracks, stations as a result of the floods in March 2022
- \$3.4 million (2021: \$4.0 million) provision for insurance claims to recover the consolidated entity's cost of repair of damaged rolling stock currently under lease with Reliance Rail.
- Other provisions also include legal and related claims from legislative or contractual breaches, compensation and compliance claims, third party property damage, marine damage claims, public risk and other minor provisions.

### **Recognition and measurement**

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

Any provisions for restructuring are recognised only when the consolidated entity has a detailed formal plan and it has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

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

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**22. Other liabilities**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Statutory creditors	23,546	14,850	-	-
Sydney Harbour Tunnel tax liabilities	2,660	4,686	-	-
Holding accounts <sup>1</sup>	333,043	283,204	-	-
Grant of right to operate liability under service concessions <sup>2</sup>	555,180	547,888	-	-
Income received in advance	10,338	7,204	-	-
Liability for former employees' leave entitlements	1,758	2,023	-	-
Other <sup>3</sup>	16,603	296	-	-
<b>Current other liabilities</b>	<b>943,128</b>	<b>860,151</b>	-	-
Sydney Harbour Tunnel tax liabilities	443	3,322	-	-
Grant of right to operate liability under service concessions <sup>2</sup>	16,726,288	16,797,694	-	-
Other <sup>3</sup>	58,814	2,873	-	-
<b>Non-current other liabilities</b>	<b>16,785,545</b>	<b>16,803,889</b>	-	-

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

<sup>2</sup>The 'grant of right to operate' liability under service concessions is the unearned portion of revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Notes 3(i) and 14 for further information regarding the consolidated entity's service concession assets.

<sup>3</sup>Other include leasehold incentives which are no longer recognised as part of the lease liability under AASB 16 Leases.

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

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**23. Commitments for expenditure**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'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	11,206,556	7,872,066	-	-
Later than one year and not later than five years	6,869,978	6,574,605	-	-
Later than five years	51,341	30,226	-	-
<b>Total (including GST)</b>	<b>18,127,875</b>	<b>14,476,897</b>	<b>-</b>	<b>-</b>
<b>(b) Other public and private partnerships contract commitments</b>				
Not later than one year	100,865	92,217	-	-
Later than one year and not later than five years	402,600	369,979	-	-
Later than five years	1,893,556	1,874,728	-	-
<b>Total (including GST)</b>	<b>2,397,021</b>	<b>2,336,924</b>	<b>-</b>	<b>-</b>

Input tax on all commitments estimated at \$1,865.9 million (2021: \$1,528.5 million) (parent entity: nil (2021: nil)) will be recouped from the Australian Taxation Office. Other public and private partnerships contract commitments represent future payments relating to maintenance and other future payments as at 30 June 2022.

**24. Contingent assets and contingent liabilities**

The parent entity had no contingent assets and contingent liabilities as at 30 June 2022 (2021: nil). The consolidated entity had contingent assets and contingent liabilities at 30 June 2022 in respect of:

**(a) 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.

**(b) Litigation**

Transport for NSW has a number of compulsory property acquisition matters under litigation where claims differ from the Valuer General's determined amount. These have an estimated contingent liability of \$161.2 million (June 2021: \$127.5 million) and are net of Treasury Managed Fund (TMF) reimbursements. Sydney Metro also has a number of litigation proceedings in relation to property acquisitions for the Metro City & Southwest and Sydney Metro West projects. The amount of liability (if any) that may arise in relation to these disputes cannot be measured reliably at this time.

Transport for NSW has several contractual disputes with an estimated total contingent liability of \$377.6 million (June 2021: \$450.3 million). There are a number of other contractual claims that have arisen from the normal course of business. The amount of the liability that may arise from these claims cannot be measured reliably at this time. There is significant uncertainty as to whether a future liability will arise in respect to these items.

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

### **(b) Litigation (cont'd)**

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

There was a dispute in relation to contractual claims and counterclaims relating to the Sydney Metro Northwest project. A non-binding decision was made by the Dispute Avoidance Board (DAB) in relation to that dispute. Both parties have a right to appeal to arbitration against the decision of the DAB. The SVC Contractor commenced arbitration proceedings on 20 July 2021. Based on the current arbitration timetable, a final hearing will take place between October and December 2023. At this stage, there is significant uncertainty as to the extent and amount of any potential financial outcome (either liability or amount recoverable by Sydney Metro) that will arise in relation to these disputes.

Sydney Metro has an agreement with Landcom for the development of parcels of land surrounding the Sydney Metro Northwest station sites. Under the terms of the arrangement, the Entity has a possible liability that is contingent on the achievement of certain milestones and thresholds by Landcom.

### **(c) Letter of comfort**

The consolidated entity provided letters of comfort to the Office of Transport Safety Investigation (OTSI) and Royal Botanic Gardens and Domain Trust (RBGDT) to ensure their ongoing financial viability for a period of at least 12 months from the date that the 30 June 2022 Prime returns for OTSI and RBGDT are submitted. The consolidated entity and NSW Treasury monitor the financial performance of OTSI and RBGDT on an ongoing basis as part of these entities' reporting obligations to the Government.

### **(d) Other matters**

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

Certain entities controlled by the consolidated entity have environmental matters emerging from their normal operations. There is significant uncertainty as to whether any future liability will emerge due to the early stage of identification or works for many of these matters, and as such a liability cannot be accurately calculated at the date of preparation of these financial statements. Where there is a legal or constructive obligation to undertake remediation and the cost can be reliably estimated a provision is made (refer to Note 21).

Transport for NSW has also made a number of claims with an estimated total contingent asset of \$1.1 million (June 2021: \$8.5 million).

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

	<b>Consolidated 2022 \$'000</b>	<b>Consolidated Restated 2021 \$'000</b>	<b>Parent 2022 \$'000</b>	<b>Parent 2021 \$'000</b>
Net cash flows from operating activities	15,512,433	12,504,821	(106)	(232)
Acceptance by the Crown of employee benefits and other liabilities	7,918	41,460	(1,691)	12
Depreciation and amortisation	(3,761,324)	(3,311,154)	-	-
Non-cash revenue and expenses	753,587	453,659	1,691	(12)
Derecognition, impairment and write off of assets	(777,831)	(1,612,854)	-	-
Transfer to councils, NSW government agencies and other parties	(381,298)	(908,641)	-	-
Realised and unrealised gains on financial assets/liabilities	76,344	25,216	-	-
Net gain on sale of assets held for sale	80,931	16,628	-	-
Impairment of receivables	(2,011)	(7)	-	-
Increase in receivables, inventories and other assets	478,105	672,025	13,878	4
(Increase)/decrease in payables and provisions	(898,423)	(632,937)	(8,749)	228
(Increase)/decrease in contract liabilities	124,842	(45,714)	-	-
Net loss on sale of property, plant and equipment & intangible assets	(31,789)	(3,210)	-	-
Net gain/(loss) on lease modifications and disposal of right of use assets	2,393	(1,008)	-	-
<b>Reconciliation to net result</b>	<b>11,183,877</b>	<b>7,198,284</b>	<b>5,023</b>	<b>-</b>



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

	Notes	Consolidated 2022 \$'000	Consolidated Restated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Gains/(losses) on financial liabilities at amortised cost		(7,793)	9,748	-	-
Borrowings in respect of acquisition of property, plant and equipment		(4,713,128)	(2,663,790)	-	-
Financial liabilities in respect of Sydney Light Rail		-	(16,402)	-	-
Other gains	5	84,137	-	-	-
<b>Non-cash financing activities</b>		<b>(4,636,784)</b>	<b>(2,670,444)</b>	<b>-</b>	<b>-</b>
Property, plant and equipment acquired through lease/service concession		4,713,128	2,663,790	-	-
Transfer to councils, NSW government agencies & other parties	14	(381,298)	(908,641)	-	-
Assets recognised for the first time	3(i),14	1,561	3,422	-	-
M2 and Eastern Distributor promissory notes	3(c)	7,640	11,252	-	-
Derecognition, impairment and write-off of assets	4,5	(777,831)	(1,612,854)	-	-
Capitalisation of Sydney Light Rail asset		-	16,402	-	-
Transfer from administrative restructure	29(b)	(519)	904,994	(519)	-
Major periodic maintenance work by Transdev		1,280	1,892	-	-
Loss of control of TAHE		-	(37,704,092)	-	-
Equity transfers	29(a)	76,658	360	-	-
Other gains	5	142	578	-	-
<b>Non-cash investing activities</b>		<b>3,640,761</b>	<b>(36,622,897)</b>	<b>(519)</b>	<b>-</b>
<b>Non-cash financing and investing activities</b>		<b>(996,023)</b>	<b>(39,293,341)</b>	<b>(519)</b>	<b>-</b>

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**27. Administered assets and liabilities**

	<b>Consolidated 2022 \$'000</b>	<b>Consolidated 2021 \$'000</b>	<b>Parent 2022 \$'000</b>	<b>Parent 2021 \$'000</b>
Cash	39,274	36,852	-	-
<b>Administered assets</b>	<b>39,274</b>	<b>36,852</b>	-	-
Payables	314,823	324,972	-	-
<b>Administered liabilities</b>	<b>314,823</b>	<b>324,972</b>	-	-

**Recognition and measurement**

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

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

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

**28. Financial instruments**

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

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

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

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

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

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**28. Financial instruments (cont'd)**

**(a) Financial instrument categories**

<b>Consolidated</b>	<b>Note</b>	<b>Category</b>	<b>Carrying amount 2022 \$'000</b>	<b>Carrying amount 2021 \$'000</b>
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	7	N/A	4,222,753	4,744,963
Receivables <sup>1</sup>	8	Amortised cost	1,953,032	1,708,862
Financial assets at fair value	11	At fair value through profit or loss - designated as such at initial recognition	-	133,993
Financial assets at fair value	11	Fair value through profit or loss - mandatory classification	101,010	3,001
Other financial assets	13	Amortised cost	805,629	642,238
			<b>7,082,424</b>	<b>7,233,057</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Trade creditors, accruals and other liabilities <sup>2</sup>	18,22	Financial liabilities measured at amortised cost	3,944,759	4,802,261
Financial liabilities at fair value	19	At fair value through profit or loss - designated as such at initial recognition	879	2,812
Borrowings	19	Financial liabilities measured at amortised cost	10,621,635	9,628,726
			<b>14,567,273</b>	<b>14,433,799</b>

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

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

<b>Parent</b>	<b>Note</b>	<b>Category</b>	<b>Carrying amount 2022 \$'000</b>	<b>Carrying amount 2021 \$'000</b>
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	7	N/A	122	228
Receivables <sup>1</sup>	8	Amortised cost	13,881	3
			<b>14,003</b>	<b>231</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables <sup>2</sup>	18	Financial liabilities measured at amortised cost	2,648	245
			<b>2,648</b>	<b>245</b>

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

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

## **28. Financial instruments (cont'd)**

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

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

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

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

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

### **(b) Derivatives**

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

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

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

Generally, commodity swap contracts are designated as cash flow hedges. As at 30 June 2022, there were commodity swap contracts in place for distillate and electricity purchases. The distillate swap contracts were designated as cash flow hedges. The only electricity derivative financial instrument in place was an economic hedge to manage exposure to electricity price risk under the approved risk management policies. This electricity derivative is not designated in a hedge relationship under AASB 9. It is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge. Changes in the fair value of derivative instruments that are not designated in a hedge relationship are recognised immediately in profit or loss as part of gain/ (loss) in fair value of financial instruments.

The consolidated entity entered into fixed interest rate forward swap agreements with TCorp to manage its floating interest rate risk exposure in relation to public-private partnership service payments. This enables the consolidated entity to manage the underlying cash flow requirements with greater confidence and certainty.

The interest rate swaps are not designated in an accounting hedge relationship and therefore categorised as held for trading and presented in the Statement of Financial Position. These interest rate swaps are subsequently measured at fair value through profit or loss.

The consolidated entity held \$101.0 million (2021: \$3.0 million) in derivative financial assets and \$0.9 million (2021: \$2.8 million) in derivative financial liabilities. The parent did not have any derivative financial assets or liabilities (2021: nil).

The following table indicates the periods in which the cash flow associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

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**28. Financial instruments (cont'd)**

**(b) Derivatives (cont'd)**

		Expected Cash Flow					
		Weighted average exchange rate	Contract value	No later than 3 months	Later than 3 months and no later than 12 months	Later than 12 months	Total
<b>Consolidated</b>			\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>2022</b>	Denominated in US Dollars	0.7200	41,698	460	1,574	39,664	41,698
	Denominated in US Dollars	0.7007	9,163	-	9,163	-	9,163
	Denominated in US Dollars	0.7717	484	-	-	484	484
	Denominated in US Dollars	0.7131	3,403	3,403	-	-	3,403
	Denominated in Euros	0.6200	14,777	549	10,907	3,321	14,777
	Denominated in Euros	0.6311	4,338	-	4,338	-	4,338
	Denominated in Euros	0.6176	1,340	1,340	-	-	1,340
	Denominated in Pounds Sterling	0.5734	404	404	-	-	404
	<b>Foreign exchange contracts</b>		<b>75,607</b>	<b>6,156</b>	<b>25,982</b>	<b>43,469</b>	<b>75,607</b>
	Favourable		87,557	-	(10,935)	1,690	(9,245)
	Non-favourable		1,864	-	(1,864)	-	(1,864)
	<b>Commodity hedge contracts</b>		<b>89,421</b>	<b>-</b>	<b>(12,799)</b>	<b>1,690</b>	<b>(11,109)</b>
	<b>Interest rate swap</b>		<b>99,707</b>	<b>(1,350)</b>	<b>11,818</b>	<b>89,238</b>	<b>99,706</b>
<b>2021</b>	Denominated in US Dollars	0.7220	5,572	3,578	1,381	613	5,572
	Denominated in US Dollars	0.7136	9,223	-	9,223	-	9,223
	Denominated in US Dollars	0.6861	4,725	-	-	4,725	4,725
	Denominated in Euros	0.6087	2,170	2,170	-	-	2,170
	Denominated in Euros	0.6286	6,408	619	5,789	-	6,408
	Denominated in Euros	0.6322	114	-	-	114	114
	<b>Foreign exchange contracts</b>		<b>28,212</b>	<b>6,367</b>	<b>16,393</b>	<b>5,452</b>	<b>28,212</b>
	Favourable		88,726	-	(12,183)	(1,688)	(13,871)
	Non-favourable		3,185	-	(3,185)	-	(3,185)
	<b>Commodity hedge contracts</b>		<b>91,911</b>	<b>-</b>	<b>(15,368)</b>	<b>(1,688)</b>	<b>(17,056)</b>
	<b>Interest rate swap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

All derivatives are measured at fair value. Information about exposures to risks is provided in the following notes: credit risk Note 28(c), foreign exchange and commodity price risk Note 28(e) and Note 28(f) contains information about the methods and assumptions used in determining fair values of derivatives. Further details on derivatives are provided in Notes 11 and 19.

**(c) Credit risk**

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

Credit risk can arise from financial assets of the consolidated entity, including cash and cash equivalents, derivative financial instruments, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions. The consolidated entity holds bank guarantees for significant customers as well as property bonds for some leased premises. The consolidated entity has not granted any financial guarantees.

Credit risk policy is aimed at minimising the potential for counter party default. Credit risk associated with the consolidated entity's financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. All debt management and investment activities are undertaken with TCorp, which is guaranteed by the NSW Government.

## 28. Financial instruments (cont'd)

### (c) Credit risk (cont'd)

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 restricted bank balances at the prevailing RBA cash rate.

#### Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivable have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Trade debtors are written off when there is no reasonable expectation of recovery. The consolidated entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

The expected credit loss allowance for trade debtors as at 30 June 2022 and 30 June 2021 was determined as follows:

		Expected credit loss rate %	Estimated total gross carrying amount at default \$ '000	Expected credit loss \$ '000
<b>2022</b>	Current	0.17	56,164	94
	<30 days	0.35	27,084	95
	30-60 days	5.54	3,053	169
	61-90 days	8.87	2,401	213
	>91 days	32.51	26,606	8,649
			<b>115,308</b>	<b>9,220</b>
<b>2021</b>	Current	0.04	131,560	52
	<30 days	0.19	70,042	133
	30-60 days	0.93	12,086	112
	61-90 days	1.42	9,072	129
	>91 days	36.56	20,141	7,364
			<b>242,901</b>	<b>7,790</b>

<sup>1</sup> Each column in the table reports "gross receivables".

<sup>2</sup> The aging analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7; therefore the total will not reconcile to the receivables total recognised in the Statement of financial position.

The parent did not have any expected credit loss on financial assets in 2022 (2021: nil).

## Department of Transport Notes to the financial statements

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

#### (c) Credit risk (cont'd)

##### Derivatives

Transport for NSW, Sydney Trains and Sydney Metro have undertaken forward exchange currency swaps, commodity swaps and interest rate swaps. The risks associated with these arrangements are mitigated by only entering into arrangements with reputable, well established financial institutions with high level credit ratings.

##### Other financial assets

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

#### (d) Liquidity risk

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

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

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

The consolidated entity has access to credit facilities with TCorp of \$195.0 million (2021: \$175.0 million) of which \$25.2 million (2021: \$27.7 million) had been used at reporting date.

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for the year ended 30 June 2022

**28. Financial instruments (cont'd)**

**(d) Liquidity risk (cont'd)**

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

**Maturity analysis and interest rate exposure of financial liabilities**

Consolidated	Weighted average effective int. rate (%)	Interest rate exposure				Maturity dates		
		Nominal amount	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>								
<b>Payables</b>								
Trade creditors, accruals and other liabilities		3,944,759	-	-	3,944,759	3,941,543	3,216	-
<b>Borrowings</b>								
Lease liabilities	1.68	9,393,686	8,270,864	1,122,822	-	731,561	3,184,894	5,477,231
Service concession financial liabilities	2.04	4,593,951	1,546,964	3,046,987	-	286,298	2,101,940	2,205,713
Other financial liabilities at amortised cost	5.01	1,532,943	1,532,943	-	-	4,281	703,976	824,686
Derivative financial instruments		879	-	-	879	798	81	-
		<b>19,466,218</b>	<b>11,350,771</b>	<b>4,169,809</b>	<b>3,945,638</b>	<b>4,964,481</b>	<b>5,994,107</b>	<b>8,507,630</b>
<b>2021</b>								
<b>Payables</b>								
Trade creditors, accruals and other liabilities		4,802,261	-	-	4,802,261	4,798,939	3,322	-
<b>Borrowings</b>								
Lease liabilities	2.33	6,675,161	5,729,747	945,414	-	437,580	1,474,930	4,762,651
Service concession financial liabilities	1.42	6,269,894	1,762,133	4,507,761	-	1,916,757	1,510,555	2,842,582
Other financial liabilities at amortised cost	5.01	1,532,943	1,532,943	-	-	-	178,641	1,354,302
Derivative financial instruments		1,587	1,468	-	119	1,136	451	-
		<b>19,281,846</b>	<b>9,026,291</b>	<b>5,453,175</b>	<b>4,802,380</b>	<b>7,154,412</b>	<b>3,167,899</b>	<b>8,959,535</b>



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**28. Financial instruments (cont'd)**

(d) Liquidity risk (cont'd)

Parent	Interest rate exposure					Maturity dates		
	Weighted average effective int. rate (%)	Nominal amount	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
	\$ 000'	\$ 000'	\$ 000'	\$ 000'	\$ 000'	\$ 000'	\$ 000'	\$ 000'
<b>2022</b>								
Trade creditors and accruals	-	2,648	-	-	2,648	2,648	-	-
<b>Payables</b>	-	<b>2,648</b>	-	-	<b>2,648</b>	<b>2,648</b>	-	-
<b>2021</b>								
Trade creditors and accruals	-	245	-	-	245	245	-	-
<b>Payables</b>	-	<b>245</b>	-	-	<b>245</b>	<b>245</b>	-	-

<sup>1</sup>The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. Therefore, the amounts disclosed will not reconcile to the Statement of financial position.

**Department of Transport**  
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**28. Financial instruments (cont'd)**

**(e) Market risk**

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. This applies to the consolidated entity's foreign exchange, interest rate and commodity price hedging instruments.

Sensitivity analysis on market risk is based on a reasonably possible price variability taking into account the economic environment in which the consolidated entity operates and the time frame for assessment, that is, until the end of the next reporting period. The sensitivity analysis is based on financial instruments held at the balance date. The analysis assumes that all other variables remain constant.

The effect on the net result and equity due to a reasonably possible change in risk variable is outlined in the information provided below, for interest rate risk and other price risk including currency movements. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the consolidated entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance date. The analysis is performed on the same basis as for 2022 and assumes that all other variables remain constant.

The consolidated entity is exposed to market risks in respect of:

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the consolidated entity's interest-bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings (primarily TCorp) and undertaking interest rate swap derivatives with TCorp. The consolidated entity's interest swap arrangements are not designated in an accounting hedge relationship are held for trading and are fair valued through profit and loss.

The consolidated entity's exposure to interest rate risk is set out in the table below.

	Carrying amount \$'000	-1%		+1%	
		Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<b>2022 Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	3,804,407	(38,044)	(38,044)	38,044	38,044
Other financial assets	796,129	(7,961)	(7,961)	7,961	7,961
	<b>4,600,536</b>	<b>(46,005)</b>	<b>(46,005)</b>	<b>46,005</b>	<b>46,005</b>
<b>Financial liabilities</b>					
Borrowings	4,169,809	(41,698)	(41,698)	41,698	41,698
	<b>4,169,809</b>	<b>(41,698)</b>	<b>(41,698)</b>	<b>41,698</b>	<b>41,698</b>
		-1%		+1%	
	Carrying amount \$'000	Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<b>2021 Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	4,345,610	(43,456)	(43,456)	43,456	43,456
Financial assets at fair value	133,993	(1,340)	(1,340)	1,340	1,340
Other financial assets	632,760	(6,328)	(6,328)	6,328	6,328
	<b>5,112,363</b>	<b>(51,124)</b>	<b>(51,124)</b>	<b>51,124</b>	<b>51,124</b>
<b>Financial liabilities</b>					
Borrowings	5,453,175	(54,532)	(54,532)	54,532	54,532
	<b>5,453,175</b>	<b>(54,532)</b>	<b>(54,532)</b>	<b>54,532</b>	<b>54,532</b>

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**28. Financial instruments (cont'd)**

**(e) Market risk (cont'd)**

**(i) Interest rate risk (cont'd)**

		-1%		+1%	
	Carrying amount \$'000	Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<b>2022 Parent</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	-	-
	-	-	-	-	-
		-1%		+1%	
	Carrying amount \$'000	Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<b>2021 Parent</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	-	-
	-	-	-	-	-

**(ii) Foreign exchange risk**

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity manages its foreign exchange risk by entering into forward exchange contracts in accordance with each controlled entities' risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily dominated in Euros and US Dollars have been fully hedged using forward contracts that mature on the same dates as the forecast purchase are due for payment. These contracts are designated as cash flow hedges.

The consolidated entity's exposure to foreign exchange risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against other currencies. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

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**28. Financial instruments (cont'd)**

(e) **Market risk (cont'd)**

(iii) **Foreign exchange risk (cont'd)**

		+10%			-10%	
<b>Consolidated</b>		<b>Contract value</b>	<b>Net result</b>	<b>Equity</b>	<b>Net result</b>	<b>Equity</b>
		<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>2022</b>	Denominated in US Dollars	54,748	4,170	1,483	(4,170)	(1,214)
	Denominated in Euros	20,455	1,356	725	(1,356)	(615)
	Denominated in Pound Sterling	404	-	37	-	(30)
	<b>Foreign exchange contracts</b>	<b>75,607</b>	<b>5,526</b>	<b>2,245</b>	<b>(5,526)</b>	<b>(1,859)</b>
<b>2021</b>	Denominated in US Dollars	19,520	245	1,774	(245)	(1,451)
	Denominated in Euros	8,692	-	805	-	(681)
	<b>Foreign exchange contracts</b>	<b>28,212</b>	<b>245</b>	<b>2,579</b>	<b>(245)</b>	<b>(2,132)</b>

There is no foreign exchange risk in parent entity in 2022 and 2021.

(iii) **Commodity price risk**

The consolidated entity is exposed to a range of commodity price risks, principally from distillate and electricity purchases.

Australian dollar costs under the supply agreements price mechanism for distillate are reflective of movements in Singapore Gas Oil prices and AUD/USD exchange rates. The consolidated entity hedges its distillate exposure by entering into Singapore Gas Oil swap and US Dollar forward contracts. These distillate swap contracts are designated as cash flow hedges.

The consolidated entity is exposed to electricity price risk associated with the purchase of electricity to operate to operate transport services. The exposure to fluctuations in wholesale market prices is managed by entering into fixed price supply arrangements with retailers or to hedge forecast exposure on a portion of the consolidated entity's energy load. Generally, electricity swap contracts are designated as cash flow hedges. However as at 30 June 2022, the only electricity derivative financial instrument was not designated in a hedge relationship under AASB 9. This derivative is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge.

The consolidated entity's exposure to commodity price risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on net result is due to changes in the fair value of commodity swap contracts that are not designated as being in a hedge relationship under AASB 9. The impact on equity is due to changes in the fair value of commodity swap contracts designated as cash flow hedges. A sensitivity of 10% movement in the spot price of the respective commodities has been selected for use in the sensitivity analysis at the reporting date.

		10%		-10%		
<b>Consolidated</b>		<b>Contract value</b>	<b>Net Result</b>	<b>Equity</b>	<b>Net Result</b>	<b>Equity</b>
		<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>2022</b>	Distillate	13,341	-	1,334	-	(1,334)
	Electricity	76,080	7,608	-	(7,608)	-
		<b>89,421</b>	<b>7,608</b>	<b>1,334</b>	<b>(7,608)</b>	<b>(1,334)</b>
<b>2021</b>	Distillate	15,831	-	1,583	-	(1,583)
	Electricity	76,080	7,608	-	(7,608)	-
		<b>91,911</b>	<b>7,608</b>	<b>1,583</b>	<b>(7,608)</b>	<b>(1,583)</b>

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**28. Financial instruments (cont'd)**

**(e) Market risk (cont'd)**

**(iv) Other price risk – TCorpIM Funds**

Exposure to 'Other Price Risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. The consolidated entity had no investments held in TCorpIM Funds at 30 June 2022, since TCorpIM Funds were redeemed in the current year and converted to cash following changes to *Government Sector Finance Act 2018*. Refer to Note 11 for further information.

The consolidated entity had no direct equity investments and held units in the following TCorpIM Funds Trusts:

Facility	Investment sectors	Investment horizon	2022 \$ '000	2021 \$ '000
Medium term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	3 years to 7 years	-	88,898
Long term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	7 years and over	-	45,095

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.

TCorp is the trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds limits the consolidated entity's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information. The TCorpIM Funds are measured at fair value through profit and loss and, therefore, any change in unit price impacts directly on net result (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by 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 2022

**28. Financial instruments (cont'd)**

**(f) Fair value compared to carrying amount**

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Funds and derivatives, which are measured at fair value.

Other than TCorp borrowings, the amortised cost of all other financial instruments recognised in the Statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments and the expectation that they will be paid in full.

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

The following table details the financial instruments where the fair value differs from the carrying amount:

	<b>Carrying amount 2022 \$'000</b>	<b>Fair value 2022 \$'000</b>	<b>Fair value level 2022</b>
<b>2022 Consolidated</b>			
Service concession financial liabilities <sup>1</sup>	3,702,778	3,607,539	2
	<b>3,702,778</b>	<b>3,607,539</b>	

	<b>Carrying amount 2021 \$'000</b>	<b>Fair value 2021 \$'000</b>	<b>Fair value level 2021</b>
<b>2021 Consolidated</b>			
Service concession financial liabilities <sup>1</sup>	5,003,454	4,970,327	2
	<b>5,003,454</b>	<b>4,970,327</b>	

<sup>1</sup>Includes liabilities in relation to Metro Northwest, City & Southwest, and Sydney CBD & South East Light Rail projects.

The fair value of service concession financial liabilities is calculated using incremental borrowing rates, which are based on TCorp lending rates.

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

for the year ended 30 June 2022

**28. Financial instruments (cont'd)**

**(g) Fair value hierarchy**

<b>2022 Consolidated</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Derivative financial instruments	-	98,778	2,232	101,010
	-	<b>98,778</b>	<b>2,232</b>	<b>101,010</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	879	-	879
	-	<b>879</b>	-	<b>879</b>
<b>2021 Consolidated</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Derivative financial instruments	-	3,001	-	3,001
TCorpIM Funds	-	133,993	-	133,993
	-	<b>136,994</b>	-	<b>136,994</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	1,587	1,225	2,812
	-	<b>1,587</b>	<b>1,225</b>	<b>2,812</b>

The consolidated entity uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

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

The consolidated entity has assessed the fair value of its financial instruments on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2). The fair value of commodity derivatives is determined as the present value of future contracted cash flows and credit adjustments (Level 3).

The fair value of the TCorpIM Funds is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds facilities are valued using redemption pricing.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date. The fair value of the interest and commodity rate swap derivative is based on market value 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 2022

**29. Equity and reserves**

**(a) Equity transfers**

	Notes	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Defined superannuation benefit liabilities transferred to the Crown <sup>1</sup>		132,485	-	-	-
Net property, plant and equipment transferred from Department of Planning and Environment <sup>2</sup>	14	2,347	-	-	-
Property, plant and equipment, and intangible assets transferred to TAHE <sup>3</sup>	14,16	(58,174)	(4,133)	-	-
Property, plant and equipment transferred from Infrastructure NSW <sup>4</sup>	14	-	4,493	-	-
<b>Equity transfers</b>		<b>76,658</b>	<b>360</b>	<b>-</b>	<b>-</b>

**2022**

<sup>1</sup> On 6 December 2021, the Crown agreed to meet any shortfalls in the State Transit Authority (STA) Employment Group defined benefit superannuation balances due to the transfer of STA's bus operations to private operators during the year. As such, the Treasurer concurred with an equity transfer of the remaining STA defined benefits superannuation liabilities of \$132.5 million to the Crown, as at 6 December 2021.

<sup>2</sup> On 27 August 2021, the Minister for Water, Property & Housing approved the transfer of \$2.7 million land located at Nelson Bay from Department of Planning and Environment to Transport for NSW. On 16 March 2022, the Minister Administering the National Parks and Wildlife Act approved the transfer of \$0.3 million land located at Bungawalbin and Sherwood from Transport for NSW to National Parks and Wildlife Services within Department of Planning and Environment.

<sup>3</sup> In 2022, the Transport Secretary, with the consent of TAHE, transferred capital work in progress of \$10.8 million from NSW Trains and Sydney Trains to TAHE. On 27 and 28 June 2022, the Secretary approved via Vesting Orders the transfer of \$47.4 million assets under construction cost for the Fast Rail and Central Precinct, Redfern North Eveleigh and Transport Asset Revitalisation programs to TAHE as the ultimate owner future funding holder for these projects.

**2021**

<sup>3</sup> In 2021, the Transport Secretary, with the consent of TAHE, transferred capital work in progress of \$3.7 million from NSW Trains to TAHE. On 15 January 2021, the Transport Secretary, with the consent of TAHE, transferred land and buildings together with any related assets, rights and liabilities of net \$0.4 million from Transport for NSW to TAHE.

<sup>4</sup> On 12 June 2020, the Premier approved the transfer of land and buildings relating to the Redfern-Eveleigh and Bays West precincts of \$4.5 million from Infrastructure NSW to Transport for NSW. The transfer was effective on 1 July 2020.



## Department of Transport Notes to the financial statements

for the year ended 30 June 2022

### 29. Equity and reserves

#### (b) Administrative restructures

##### 2022

The administrative arrangements orders issued on 21 December 2021 resulted in the expansion of the Transport cluster with the addition of the ministerial portfolios of Infrastructure, and Cities and Active Transport.

As a result, total assets and liabilities transferred from the Department of Planning and Environment to the consolidated entity in the year ended 30 June 2022 were as follows:

	<b>Department of Planning and Environment 2022 \$'000</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Receivables	6,634
<b>Total current assets</b>	<b>6,634</b>
<b>Total assets</b>	<b>6,634</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Payables	44
Employee benefits	6,984
<b>Total current liabilities</b>	<b>7,028</b>
Employee benefits	125
<b>Total non-current liabilities</b>	<b>125</b>
<b>Total liabilities</b>	<b>7,153</b>
<b>Net assets</b>	<b>(519)</b>

##### 2021

The Minister for Transport and Roads, the Minister of Water, Property and Housing, and the Minister for Planning and Public Spaces approved the establishment of the Maritime Infrastructure Delivery Office within Transport for NSW by transferring relevant functions, programs, funding, and certain assets and liabilities (net \$905.0 million) from the Department of Planning and Environment to the consolidated entity. The transfer was effective from 1 July 2020.

#### (c) Loss of control of TAHE

On 1 July 2020, the former Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the *Transport Administration Act 1988* and the *State Owned Corporations Act 1989*. TAHE is not a controlled entity of Transport for NSW or the Department of Transport.

#### (d) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the consolidated entity's policy on the revaluation of property, plant and equipment as discussed in Note 14 (recognition and measurement (iii) and (iv)).

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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### 29. Equity and reserves (cont'd)

#### (e) 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.

#### (f) Accumulated funds

The category "accumulated funds" includes all current and prior period retained funds.

#### (g) Other reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

### Recognition and measurement

#### (i) 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 NSW Treasury Policy Paper *TPP21-08 Accounting Policy: Contributions by owners made to wholly-owned Public Sector Entities*, 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.

#### (ii) Loss of control of TAHE

On 1 July 2020, Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the Transport Administration Act 1988 and the State Owned Corporations Act 1989.

TAHE is not a controlled entity of Transport for NSW or the Department of Transport. TAHE may eventually hold additional public transport assets for the State, including public transport assets currently held by entities controlled by the consolidated entity.

Loss of control of TAHE from 1 July 2020 means that the net assets and net result of TAHE (previously RailCorp) are no longer included in the results of the consolidated entity for the year ended 30 June 2021 onwards. Conversely transactions that were previously eliminated within the consolidated entity that related to RailCorp (now TAHE) are included in the consolidated entity.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2022

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### 30. Adjustments to prior period

#### Valuation of Assets Under Construction

In July 2021, NSW Treasury issued Treasury Policy TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value* (TPP 21-09) with specific guidance on the annual assessment of the fair value of assets under construction. Large scale infrastructure constructions typically occur over a substantial number of years, and as a result the fair value of the key cost inputs such as materials and labour could significantly change with time. TPP 21-09 provides guidance not provided in Australian Accounting Standards on how to measure the fair value of assets taking into account the unique circumstances in the public sector, and therefore is not considered a change in accounting policy. TPP 21-09 clarifies that historical costs no longer accurately reflect the fair value of assets under construction. Consequently, a fair value assessment of the consolidated entity's Transport for NSW and Sydney Metro projects was carried out to reflect the underlying restrictions in use and increase in key cost inputs such as materials and labour over the substantial number of years over the life of the projects.

Consequently, land and buildings had a revaluation decrement based on the current restricted use, and infrastructure systems had a revaluation increment reflecting the increase in key cost inputs. Further there were offsetting asset reclassifications from infrastructure systems to land and buildings.

#### Sydney Metro Train Facility assets delivered in 2019

As part of the comprehensive revaluation conducted as at 31 March 2022 for Sydney Metro Northwest rail assets, it was identified that certain assets located at the Sydney Metro Stabling Facility at Tallawong were recorded at fair value as part of the 2019 comprehensive revaluation of the Northwest infrastructure assets. These assets were also reflected in the City & Southwest Rail Systems assets under construction in 2019. This required an adjustment in the prior period with a decrease in property, plant and equipment of \$51.0 million and a corresponding decrease in the asset revaluation reserve balance.

The impact of the above restatements in the prior years are as below:

#### *Restatement at 1 July 2020*

Property, plant and equipment decreased by \$21.5 million due to revaluation decrement of \$548.8 million in land and buildings and additional depreciation expense of \$3.7 million in land and buildings, partly offset by net revaluation increment of \$531.0 million in infrastructure systems. There was a corresponding decrease of \$3.7 million in accumulated funds (reflecting the additional depreciation expense of \$3.7 million), and decrease of \$17.8 million in the reserves representing the net fair value decrement of property, plant and equipment through asset revaluation reserve. Further, there was an offsetting asset reclassification of \$1,273.9 million from infrastructure systems to land and buildings.

#### *Restatement at 30 June 2021*

Property, plant and equipment cumulatively decreased by \$1,217.4 million due to cumulative revaluation decrement of \$1,892.7 million in land and buildings and cumulative additional depreciation expense of \$5.2 million in land and buildings, partly offset by cumulative revaluation increment of \$680.5 million in infrastructure systems. There was a corresponding decrease of \$1,341.4 million in accumulated funds (reflecting the cumulative additional depreciation expense of \$5.2 million and net revaluation decrement of \$1,336.2 recognised in net result), and a cumulative increase of \$124.0 million in the reserves representing the net fair value increment of property, plant and equipment through asset revaluation reserve. Further, there was an offsetting cumulative asset reclassification of \$2,794.8 million from infrastructure systems to land and buildings.

The net result for the year ended 30 June 2021 decreased by \$1,337.7 million due to:

- Additional 2022 depreciation expense of \$1.5 million; and
- Net 2022 revaluation decrement of \$1,336.2 in property, plant and equipment.

The impact of the above restatements to the Statement of comprehensive income and Statement of financial position in the prior periods are shown in the table below:

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

for the year ended 30 June 2022

**30. Adjustments to prior period (cont'd)**

**Statement of comprehensive income**

For the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$'000	Consolidated adjustment \$'000	Consolidated Restated 2021 \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
Employee related expenses	2(a)	3,108,428	-	3,108,428
Other operating expenses	2(b)	3,638,582	-	3,638,582
Major rail project expense	2(d)	2,571,971	-	2,571,971
Depreciation and amortisation	2(e)	3,309,703	1,451	3,311,154
Grants and subsidies	2(f)	2,268,243	-	2,268,243
Finance costs	2(g)	391,886	-	391,886
Other expenses	2(h)	1,502,042	-	1,502,042
<b>Total expenses excluding losses</b>		<b>16,790,855</b>	<b>1,451</b>	<b>16,792,306</b>
<b>Revenue</b>				
Appropriation	3(a)	17,928,727	-	17,928,727
Sale of goods and services from contracts with customers	3(b)	1,420,630	-	1,420,630
Investment revenue	3(c)	146,776	-	146,776
Retained taxes, fees and fines	3(d)	12,711	-	12,711
Grants and contributions	3(e)	2,909,522	-	2,909,522
Acceptance by the Crown of employee benefits and other liabilities	3(f)	41,460	-	41,460
Major rail project revenue	3(g)	2,571,971	-	2,571,971
Other revenue	3(i)	533,821	-	533,821
<b>Total revenue</b>		<b>25,565,618</b>	<b>-</b>	<b>25,565,618</b>
Gains/(losses) on disposal	4	(371,036)	-	(371,036)
Other gains/(losses)	5	132,189	(1,336,174)	(1,203,985)
Impairment reversal/(loss) on financial assets	8	(7)	-	(7)
<b>Net result</b>		<b>8,535,909</b>	<b>(1,337,625)</b>	<b>7,198,284</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to net result</i>				
Net gains/(losses) in commodity swaps and foreign exchange		7,939	-	7,939
<i>Items that will not be reclassified to net result</i>				
Net increase/(decrease) in asset revaluation surplus	14	667,800	141,769	809,569
Remeasurement of defined benefit superannuation schemes	20	117,994	-	117,994
<b>Total comprehensive income</b>		<b>9,329,642</b>	<b>(1,195,856)</b>	<b>8,133,786</b>

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

for the year ended 30 June 2022

**30. Adjustments to prior period (cont'd)**

**Statement of financial position**  
**as at 1 July 2020 and 30 June 2021**

	Notes	Consolidated Actual 1 July 2020 \$'000	Consolidated adjustment \$'000	Consolidated Restated 1 July 2020 \$'000	Consolidated Actual 30 June 2021 \$'000	Consolidated adjustment \$'000	Consolidated Restated 30 June 2021 \$'000
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	7	2,526,218	-	2,526,218	4,744,963	-	4,744,963
Receivables	8	947,195	-	947,195	1,570,544	-	1,570,544
Inventories	10	33,187	-	33,187	32,969	-	32,969
Financial assets at fair value	11	120,620	-	120,620	136,392	-	136,392
Non-current assets held for sale	12	55,305	-	55,305	36,200	-	36,200
Other financial assets	13	3,963	-	3,963	7,755	-	7,755
<b>Total current assets</b>		<b>3,686,488</b>	<b>-</b>	<b>3,686,488</b>	<b>6,528,823</b>	<b>-</b>	<b>6,528,823</b>
<b>Non-current assets</b>							
Receivables	8	1,159,040	-	1,159,040	1,030,358	-	1,030,358
Inventories	10	32,702	-	32,702	33,537	-	33,537
Financial assets at fair value	11	155	-	155	602	-	602
Other financial assets	13	256,027	-	256,027	634,483	-	634,483
Property plant & equipment							
Land and buildings	14	4,795,045	721,416	5,516,461	5,742,595	896,911	6,639,506
Plant and equipment	14	6,094,588	-	6,094,588	3,052,962	-	3,052,962
Infrastructure systems	14	179,666,666	(742,954)	178,923,712	152,567,002	(2,114,303)	150,452,699
Property, plant and equipment	14	190,556,299	(21,538)	190,534,761	161,362,559	(1,217,392)	160,145,167
Right of use assets	15	3,797,051	-	3,797,051	3,629,379	-	3,629,379
Intangible assets	16	1,493,424	-	1,493,424	1,099,422	-	1,099,422
<b>Total non-current assets</b>		<b>197,294,698</b>	<b>(21,538)</b>	<b>197,273,160</b>	<b>167,790,340</b>	<b>(1,217,392)</b>	<b>166,572,948</b>
<b>Total assets</b>		<b>200,981,186</b>	<b>(21,538)</b>	<b>200,959,648</b>	<b>174,319,163</b>	<b>(1,217,392)</b>	<b>173,101,771</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Payables	18	2,318,471	-	2,318,471	4,505,858	-	4,505,858
Contract liabilities	9	225,696	-	225,696	252,666	-	252,666
Borrowings	19	1,911,715	-	1,911,715	2,172,546	-	2,172,546
Employee benefits	20	890,217	-	890,217	963,964	-	963,964
Other provisions	21	153,036	-	153,036	89,683	-	89,683
Other liabilities	22	967,999	-	967,999	860,151	-	860,151
<b>Total current liabilities</b>		<b>6,467,134</b>	<b>-</b>	<b>6,467,134</b>	<b>8,844,868</b>	<b>-</b>	<b>8,844,868</b>
<b>Non-current liabilities</b>							
Payables	18	181,311	-	181,311	-	-	-
Contract liabilities	9	77,839	-	77,839	97,253	-	97,253
Borrowings	19	10,790,134	-	10,790,134	7,458,992	-	7,458,992
Employee benefits	20	1,342,604	-	1,342,604	989,475	-	989,475
Other provisions	21	58,762	-	58,762	59,041	-	59,041
Other liabilities	22	14,528,658	-	14,528,658	16,803,889	-	16,803,889
<b>Total non-current liabilities</b>		<b>26,979,308</b>	<b>-</b>	<b>26,979,308</b>	<b>25,408,650</b>	<b>-</b>	<b>25,408,650</b>
<b>Total liabilities</b>		<b>33,446,442</b>	<b>-</b>	<b>33,446,442</b>	<b>34,253,518</b>	<b>-</b>	<b>34,253,518</b>
<b>Net assets</b>		<b>167,534,744</b>	<b>(21,538)</b>	<b>167,513,206</b>	<b>140,065,645</b>	<b>(1,217,392)</b>	<b>138,848,253</b>
<b>EQUITY</b>							
Accumulated funds		121,842,717	(3,734)	121,838,983	113,547,900	(1,341,357)	112,206,543
Reserves		37,146,426	(17,804)	37,128,622	26,517,745	123,965	26,641,710
Contributed capital		8,545,601	-	8,545,601	-	-	-
<b>Total equity</b>		<b>167,534,744</b>	<b>(21,538)</b>	<b>167,513,206</b>	<b>140,065,645</b>	<b>(1,217,392)</b>	<b>138,848,253</b>

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

for the year ended 30 June 2022

**31. Related party disclosures**

**(a) Key management personnel compensation**

	Consolidated 2022 \$'000	Consolidated 2021 \$'000	Parent 2022 \$'000	Parent 2021 \$'000
Short-term employee benefits	6,170	4,957	-	-
Post-employment benefits	360	217	-	-
Other long-term benefits	205	231	-	-
Termination benefits	711	436	-	-
	<b>7,446</b>	<b>5,841</b>	-	-

**(b) Transactions and outstanding balances with key management personnel of the Department and its parent during the financial year**

There were no material transactions or outstanding balances with key management personnel of the Department and its parent during the financial year.

**(c) Transactions and outstanding balances with other related parties during the financial year**

There were no material transactions or outstanding balances with other related parties during the financial year.

**(d) Transactions with government related entities during the financial year**

During the 2022 financial year, the consolidated entity entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Grants and contributions from the Crown to fund capital works, redundancy grants and Restart grants
- Grants and contributions from Department of Family and Community Services, Service NSW, Resilience NSW, NSW Treasury, Department of Planning and Environment, Department of Customer Services, Sydney Water, Ministry of Health and various other NSW government agencies
- Grants and subsidies paid to NSW Police to support drug and alcohol screening
- Access and licence fees paid to TAHE for rights to use of rail network, stations, rolling stock and property
- Assets and liabilities transferred from Department of Planning and Environment
- All long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW and all senior executives were assumed by the Crown
- The Pooled Fund held in trust the investment relating to the closed NSW public sector superannuation schemes
- Costs of design and construction of major rail projects charged to TAHE
- Reimbursements from TAHE for the design and construction of major rail projects
- Payments for professional services provided by various agencies including TAHE, Department of Education and Communication, Department of Planning and Environment, Local Government NSW and Commonwealth general government, Infrastructure NSW, Ministry of Health and NSW Self Insurance Corporation
- Grants paid to TAHE for rail services and capital works
- Grants for maintenance of transport infrastructure, completed projects and cash contributions to local councils, utility providers and other government agencies
- Lease arrangements with Newcastle Port Corporation for the use of facilities as a construction site.

### **32. After balance date events**

The COVID-19 pandemic is ongoing and continues to impact the operations of the consolidated entity. While the known impact of the pandemic has been reflected in the financial statements at 30 June 2022 (refer to Note 1(k)), the consolidated entity has assessed that there is no material impact on the operating result and the carrying values of assets and liabilities as at 30 June 2022. The on-going pandemic continues to significantly impact revenue and expenses.

From 1 August 2022, Heavy Vehicle National Law (HVNL) and Heavy Vehicle Inspection Scheme (HVIS) regulatory services were transferred from the consolidated entity to the National Heavy Vehicle Regulator (NHVR). As part of the transition process, staff, technology, and assets (both owned and leased) were transferred from the consolidated entity to the NHVR. There is no material impact on the operating result or carrying values of assets and liabilities as at 30 June 2022 for the consolidated entity. Following the transition of activities to the NHVR, the consolidated entity no longer receives revenue for these services and instead will pay fees to the NHVR for services provided on the consolidated entity's behalf. The financial impact resulting from the transfer will be recognised in the year ending 30 June 2023.

Other than as noted above, no other events have occurred after the balance date that would have a material impact on the financial statements.

### **End of Audited Financial Statements**



## INDEPENDENT AUDITOR'S REPORT

### Department of Transport

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the Department of Transport (the Department), which comprise the Statement by the Secretary, the Statement of comprehensive income for the year ended 30 June 2022, the Statement of financial position as at 30 June 2022, the Statement of changes in equity and the Statement of cash flows for the year then ended, notes comprising a Summary of significant accounting policies and other explanatory information of the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Department and the consolidated entity

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

### Basis for Opinion

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

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

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

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

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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



## **Secretary's Responsibilities for the Financial Statements**

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Department and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

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

- that the Department or the consolidated entity carried out their activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Margaret Crawford  
Auditor-General for New South Wales

9 November 2022  
SYDNEY



# **Transport for NSW**

Annual Financial Statements

for the year ended 30 June 2022

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**Transport for NSW**  
**Statement by the Secretary**  
for the year ended 30 June 2022

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Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018*, I declare that, in my opinion:

1. The accompanying financial statements present fairly the financial position of Transport for NSW as at 30 June 2022, and the financial performance and cash flows for the year ended on that date.
2. The financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and NSW Treasurer's Directions.



Rob Sharp  
**Secretary**

Date: 7 November 2022

**Transport for NSW**  
**Statement of comprehensive income**  
for the year ended 30 June 2022

	Notes	Actual 2022 \$'000	Actual 2021 \$'000
<b>Expenses excluding losses</b>			
Operating expenses			
Personnel service expenses	2(a)	1,148,889	956,631
Other operating expenses	2(b)	2,702,817	2,349,038
Major rail project expenses	2(c)	1,745,363	1,916,815
Depreciation and amortisation	2(d)	2,984,086	2,914,127
Grants and subsidies	2(e)	13,296,849	9,603,301
Finance costs	2(f)	115,542	150,264
Other expenses	2(g)	1,863,697	1,735,479
<b>Total expenses excluding losses</b>		<b>23,857,243</b>	<b>19,625,655</b>
<b>Revenue</b>			
Appropriation	3(a)	22,518,795	17,929,256
Sale of goods and services from contracts with customers	3(b)	877,882	741,480
Investment revenue	3(c)	52,548	56,797
Shared and corporate services revenue	3(d)	363,938	253,006
Grants and contributions	3(e)	2,569,943	2,914,855
Retained taxes, fees and fines	3(f)	64,785	68,551
Major rail project revenue	3(g)	1,745,363	1,916,815
Resources received free of charge	3(h)	6,232	36,033
Other revenue	3(i)	617,047	563,423
<b>Total revenue</b>		<b>28,816,533</b>	<b>24,480,216</b>
Loss on disposal	4	(126,274)	(377,991)
Other gains/(losses)	5	607,136	(78,402)
Impairment loss on financial assets		(1,971)	(223)
<b>Net result</b>		<b>5,438,181</b>	<b>4,397,945</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to net result</i>			
Net gains/(losses) in foreign exchange		(38)	33
<i>Items that will not be reclassified to net result</i>			
Changes in revaluation surplus of property, plant and equipment	14	7,655,013	568,460
<b>Total other comprehensive income</b>		<b>7,654,975</b>	<b>568,493</b>
<b>Total comprehensive income</b>		<b>13,093,156</b>	<b>4,966,438</b>

The accompanying Notes form part of these financial statements

**Transport for NSW**  
**Statement of financial position**  
as at 30 June 2022

	Notes	Actual 2022 \$'000	Actual 2021 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	1,924,191	2,509,789
Receivables	8	1,152,446	1,112,007
Inventories	10	6,998	5,280
Financial assets at fair value	11	3,069	133,993
Non-current assets held for sale	12	26,921	22,507
Other financial assets	13	221,737	1,609
<b>Total current assets</b>		<b>3,335,362</b>	<b>3,785,185</b>
<b>Non-current assets</b>			
Receivables	8	66,125	18,493
Financial assets at fair value	11	45,774	-
Other financial assets	13	577,162	634,483
Property plant and equipment			
Land and buildings	14	5,435,358	5,201,820
Plant and equipment	14	2,087,851	1,992,751
Infrastructure systems	14	144,172,687	132,728,314
Property, plant and equipment	14	151,695,896	139,922,885
Right of use assets	15	905,810	1,537,725
Intangible assets	16	1,187,739	947,794
<b>Total non-current assets</b>		<b>154,478,506</b>	<b>143,061,380</b>
<b>Total assets</b>		<b>157,813,868</b>	<b>146,846,565</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	19	2,702,056	2,965,185
Contract liabilities	9	91,168	277,522
Borrowings	20	337,766	1,342,443
Provisions	21	129,545	33,739
Other liabilities	22	933,253	857,961
<b>Total current liabilities</b>		<b>4,193,788</b>	<b>5,476,850</b>
<b>Non-current liabilities</b>			
Contract liabilities	9	99,791	76,154
Borrowings	20	3,032,771	3,756,333
Provisions	21	24,700	30,619
Other liabilities	22	16,792,770	16,801,016
<b>Total non-current liabilities</b>		<b>19,950,032</b>	<b>20,664,122</b>
<b>Total liabilities</b>		<b>24,143,820</b>	<b>26,140,972</b>
<b>Net assets</b>		<b>133,670,048</b>	<b>120,705,593</b>
<b>EQUITY</b>			
Accumulated funds		124,763,550	119,453,659
Reserves		8,906,498	1,251,934
<b>Total equity</b>		<b>133,670,048</b>	<b>120,705,593</b>

The accompanying Notes form part of these financial statements

**Transport for NSW**  
**Statement of changes in equity**  
for the year ended 30 June 2022

	Notes	Accumulated funds \$'000	Asset revaluation surplus \$'000	Hedge reserve \$'000	Total \$'000
<b>Balance at 1 July 2021</b>		<b>119,453,659</b>	<b>1,251,922</b>	<b>12</b>	<b>120,705,593</b>
<b>Net result for the year</b>		<b>5,438,181</b>	<b>-</b>	<b>-</b>	<b>5,438,181</b>
<b>Other comprehensive income</b>					
Net losses in foreign exchange		-	-	(38)	(38)
Net increase in asset revaluation surplus	14	-	7,655,013	-	7,655,013
<b>Total other comprehensive income</b>		<b>-</b>	<b>7,655,013</b>	<b>(38)</b>	<b>7,654,975</b>
<b>Total comprehensive income for the year</b>		<b>5,438,181</b>	<b>7,655,013</b>	<b>(38)</b>	<b>13,093,156</b>
<b>Transactions with owners in their capacity as owners</b>					
Transfers to/(from) reserves to accumulated funds		411	(411)	-	-
Equity transfers	23(d)	(128,701)	-	-	(128,701)
<b>Balance at 30 June 2022</b>		<b>124,763,550</b>	<b>8,906,524</b>	<b>(26)</b>	<b>133,670,048</b>
<b>Balance at 1 July 2020</b>		<b>114,139,627</b>	<b>690,470</b>	<b>(21)</b>	<b>114,830,076</b>
<b>Net result for the year</b>		<b>4,397,945</b>	<b>-</b>	<b>-</b>	<b>4,397,945</b>
<b>Other comprehensive income</b>					
Net gains in foreign exchange		-	-	33	33
Net increase in asset revaluation surplus	14	-	568,460	-	568,460
<b>Total other comprehensive income</b>		<b>-</b>	<b>568,460</b>	<b>33</b>	<b>568,493</b>
<b>Total comprehensive income for the year</b>		<b>4,397,945</b>	<b>568,460</b>	<b>33</b>	<b>4,966,438</b>
<b>Transactions with owners in their capacity as owners</b>					
Transfers to/from reserves to accumulated funds		7,008	(7,008)	-	-
Equity transfers	23(d)	4,086	-	-	4,086
Increase in net assets from administrative restructure	23(e)	904,993	-	-	904,993
<b>Balance at 30 June 2021</b>		<b>119,453,659</b>	<b>1,251,922</b>	<b>12</b>	<b>120,705,593</b>

The accompanying Notes form part of these financial statements

**Transport for NSW**  
**Statement of cash flows**  
for the year ended 30 June 2022

	Notes	Actual 2022 \$'000	Actual 2021 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Personnel services		(1,394,460)	(959,375)
Grants and subsidies		(12,943,523)	(8,765,962)
Finance costs		(92,226)	(134,634)
Bus, ferry and light rail contract payments		(1,859,127)	(1,730,230)
Electronic ticketing systems payments to operators		(695,192)	(921,229)
Payments to suppliers		(5,394,591)	(5,251,897)
<b>Total payments</b>		<b>(22,379,119)</b>	<b>(17,763,327)</b>
<b>Receipts</b>			
Appropriation		22,518,795	17,929,255
Sale of goods and services		4,331,741	4,245,176
Retained taxes, fees and fines		28,723	28,075
Interest received		1,974	2,244
Grants and contributions		2,374,938	2,899,275
Electronic ticketing systems cardholder receipts		727,717	959,350
<b>Total receipts</b>		<b>29,983,888</b>	<b>26,063,375</b>
<b>Net cash flows from operating activities</b>	26	<b>7,604,769</b>	<b>8,300,048</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		85,099	90,741
Purchases of property, plant and equipment and intangible assets		(7,070,518)	(6,565,236)
TCorpIM Funds redemption		137,040	-
Other		(2,825)	857
<b>Net cash flows from investing activities</b>		<b>(6,851,204)</b>	<b>(6,473,638)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings and advances		(1,111,783)	(632,387)
Payment of principal portion of lease liabilities		(246,848)	(327,491)
<b>Net cash flows from financing activities</b>		<b>(1,358,631)</b>	<b>(959,878)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(605,066)</b>	<b>866,532</b>
Opening cash and cash equivalents		2,509,789	1,643,257
Cash and cash equivalents transferred in as a result of vesting order	23(d)	19,468	-
<b>Closing cash and cash equivalents</b>	7	<b>1,924,191</b>	<b>2,509,789</b>

The accompanying Notes form part of these financial statements



# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2022

---

### 1. Summary of significant accounting policies

#### (a) Transport for NSW - Reporting entity

Transport for NSW (TfNSW) was established on 1 November 2011 as a not for profit statutory authority (as profit is not its principal objective) and it has no cash generating units. Its roles include planning, procurement, delivery and coordination of transport services and infrastructure in NSW.

The *Transport Administration Act 1988* states that the affairs of Transport for NSW are to be managed and controlled by the Secretary of the Department of Transport. Transport for NSW is therefore a controlled entity of Department of Transport. Consistent with the Secretary's power of direction it is also considered that Transport for NSW has control of the following agencies with special purpose entities or divisions:

- Sydney Ferries
- State Transit Authority
- Sydney Trains
- NSW Trains
- Sydney Metro
- Residual Transport Corporation

Under *AASB 10 Consolidated Financial Statements*, Transport for NSW is exempted from preparing consolidated financial statements on the basis that the Department of Transport, as the parent entity of Transport for NSW, produces consolidated financial statements. These financial statements are for the Transport for NSW parent entity only.

Transport for NSW is consolidated as part of the NSW Total State Sector Accounts, which is the ultimate parent. The financial statements of Transport for NSW for the year ended 30 June 2022 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 *Government Sector Finance Act 2018* (GSF Act)
- Treasurer's Directions under the GSF Act.

Property, plant and equipment, assets (or disposal groups) held for sale and certain financial assets and liabilities are measured using the fair value basis. Asset held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. Borrowings are initially measured at the fair value of the consideration received and subsequently using the effective interest method. Other financial report items are prepared in accordance with historical cost convention except where specified otherwise.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2022

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

#### (c) Critical accounting estimates, judgement and assumptions

In the application of accounting standards and NSW Treasurer's Directions issued under *the Government Sector Finance Act 2018 (GSF Act)*, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

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

The judgements, key assumptions and estimates management has made are disclosed in the relevant notes to the financial statements.

#### (d) Statement of compliance

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

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

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

- the amount of GST incurred by Transport for NSW as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense
- 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.

#### (f) Foreign currency translation

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

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

#### (g) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

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

**(i) Effective for the first time in 2022**

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of Transport for NSW.

**(ii) Issued but not yet effective**

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

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

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 January 2022
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022
AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	1 January 2022
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023
AASB 2021-5 <i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
AASB 2021-6 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i>	1 January 2023
AASB 2021-7a <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2022
AASB 2021-7b <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2023
AASB 2021-7c <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2025
AASB 17 <i>Insurance Contracts</i>	1 January 2023
AASB 2022-1 <i>Amendments to the Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information</i>	1 January 2023
AASB 2022-3 <i>Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15</i>	1 July 2022

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

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

#### **(ii) Issued but not yet effective (cont'd)**

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

#### **(i) Going concern**

The financial statements have been prepared on a going concern basis which assumes that Transport for NSW is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. This is supported by Transport for NSW receiving grants from its parent, the Department of Transport (DoT), effective 1 July 2022. From 1 July 2022, DoT receives annual appropriations from the Consolidated Fund through the Appropriation Act. The 2022-23 budget papers include a budgeted appropriation of \$27.0 billion for the services of DoT for the 2022-23 financial year. This allows Transport for NSW to continue its operations and pay its debts alongside the availability of its receivables and cash reserves, noting that \$555.2 million of the current liability relates to non-cash items.

#### **(j) Impact of COVID-19 on financial reporting for 2022**

The COVID-19 pandemic continues to impact financial reporting for Transport for NSW. The potential impacts of COVID-19 on the financial statements have been disclosed in the relevant notes where applicable. Financial impacts are as follows:

- Passenger service revenue received from operators prior to the onset of COVID-19 was approximately \$154 million a month. Passenger service revenue in June 2022 was \$103.5 million during the month. The most significant impact of COVID-19 on passenger service revenue in the current financial year was in the period from July 2021 to September 2021 when Sydney was experiencing complete lockdown. The average monthly revenue in that 3 month period was \$23.5 million. The result of this to the financial statements is higher contract payment expenses (refer Note 2(g)). NSW Treasury has provided funding to Transport for NSW to offset this shortfall in 2022. The impact of COVID-19 on passenger service revenue in the future is currently unknown, particularly with the recent emergence of subvariant strains.
- In accordance with guidance issued by NSW Treasury, TfNSW recognised expenses of \$196.9 million for COVID-19 construction pause claims for the year ended 30 June 2022. Out of the total claims, \$105.8 million was settled by 30 June 2022. In respect of the remaining unsettled claims, a provision of \$91.1 million has been recognised as at 30 June 2022 (refer Note 21).

#### **(k) Superannuation on annual leave loading**

TfNSW has determined that it is not probable a liability arises to pay superannuation on annual leave loading as part of its personnel services arrangements with Transport Service of NSW. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409*. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period. This position will be re-assessed in future reporting periods as new information comes to light on this matter.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**2. Expenses excluding losses**

**(a) Personnel service expenses**

	Notes	2022 \$'000	2021 \$'000
Salaries and wages (including annual leave) <sup>1</sup>		929,773	761,734
Superannuation - defined benefit plans		9,684	7,877
Superannuation - defined contribution plans		105,486	80,569
Long service leave expense/(expense reversal)		(7,183)	25,760
Workers' compensation insurance expense/(expense reversal)		7,545	(1,337)
Payroll tax and fringe benefits tax		62,034	53,869
Redundancy payments		36,075	23,733
Other employee expenses		5,475	4,426
<b>Personnel service expenses</b>		<b>1,148,889</b>	<b>956,631</b>
<b>Reconciliation of aggregate personnel service expenses</b>			
Capitalised personnel service expenses <sup>1</sup>		713,016	571,195
Major rail project expenses	2(c)	142,259	131,072
<b>Aggregate personnel service expenses</b>		<b>2,004,164</b>	<b>1,658,898</b>

<sup>1</sup> Capitalised personnel service expenses have been reclassified in the prior year to better reflect the nature of the expenses of \$162.6 million (2021: \$105.5 million) previously presented in Note 2(b) Other operating expenses as part of general expenses.

Included in the above are personnel service expenses of \$92.3 million (2021: \$106.6 million) related to maintenance disclosed in Note 2(b).

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(b) Other operating expenses**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor's remuneration - audit of the financial statements	1,533	1,468
Advertising and Marketing	41,639	38,231
M5 Cashback refund	105,810	124,100
Telecommunications	14,356	11,802
Consultants and other contractors	1,230,081	889,546
Shared service charges	205,948	224,111
Electricity, gas and water	15,122	12,048
Fleet hire and leasing charges including contingent rents and rail access fees	61,617	57,327
General expenses <sup>1</sup>	182,668	217,603
Information technology	367,388	325,937
Insurance	36,151	24,177
Property rent and other related expenses	44,681	59,154
Legal services	17,476	14,794
External maintenance costs	173,574	146,596
Materials	25,278	35,234
Office expenses	80,027	68,664
Payments to councils and external bodies	3,402	2,619
Security costs	11,005	8,061
Special number plates concession fees	33,032	32,787
Sydney Harbour Tunnel operating fees	36,891	39,594
Taxes, rates and related charges	4,082	4,750
Travel expenses	11,056	10,435
<b>Other operating expenses</b>	<b>2,702,817</b>	<b>2,349,038</b>
<b>Reconciliation of total maintenance</b>		
Operational maintenance in Note 2(b)	173,574	146,596
Consultants and other contractors	147,880	180,902
Corporate services, information technology and telecommunication expenses	60,362	33,441
Operating lease rental expenses	47,097	33,717
Payments to councils and external bodies for state road works	271	172
Other	10,311	3,427
<b>Maintenance expense in other operating expenses</b>	<b>439,495</b>	<b>398,255</b>
Depreciation - right of use assets	8,170	6,341
Maintenance related to personnel service expenses in Note 2(a)	92,344	106,580
<b>Total maintenance expenses including personnel service related</b>	<b>540,009</b>	<b>511,176</b>

<sup>1</sup> General expenses have been reclassified in prior year to exclude other internal cost allocation recoveries of \$162.6 million (2021: \$105.5 million) now presented as part of Note 2(a) as capitalised personnel expenses.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(c) Major rail project expenses**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Personnel related expenses	142,259	131,072
Consultants and other contractors	1,565,660	1,712,385
Property acquisition	27,512	30,817
Insurance	1,745	1,597
Legal services	2,225	2,381
Rent and other related expenses	2,555	2,280
Information technology and telecommunication expenses	1,538	17,457
Other	1,869	18,826
<b>Major rail project expenses</b>	<b>1,745,363</b>	<b>1,916,815</b>
<b>Gross amount due from Transport Asset Holding Entity of New South Wales (TAHE) and billing to date are as follows:</b>		
Costs incurred	1,745,363	1,916,815
Billings to date	(1,629,898)	(1,578,607)
<b>Current year gross amount due from TAHE</b>	<b>115,465</b>	<b>338,208</b>
<b>Accumulated gross amount due from TAHE</b>	<b>453,673</b>	<b>338,208</b>

In 2021, \$16.5 million major rail project expenses (Note 2(c)) were reclassified to interest expense (Note 2(f)) and \$16.5 million major rail project revenue (Note 3(g)) was reclassified to investment revenue (Note 3(c)).

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(d) Depreciation and amortisation**

	Notes	2022 \$'000	2021 \$'000
<b>Property, plant and equipment:</b>			
Depreciation of infrastructure systems	14	2,354,108	2,256,037
Depreciation of buildings	14	51,218	49,661
Depreciation of plant and equipment	14	213,284	255,412
<b>Total depreciation of property, plant and equipment</b>		<b>2,618,610</b>	<b>2,561,110</b>
<b>Right of use assets:</b>			
Depreciation of land and buildings		70,863	69,313
Depreciation of plant and equipment		116,755	111,242
<b>Total depreciation of right of use assets</b>		<b>187,618</b>	<b>180,555</b>
<b>Intangible assets:</b>			
Amortisation of intangible assets	16	177,858	172,462
<b>Total amortisation</b>		<b>177,858</b>	<b>172,462</b>
<b>Depreciation and amortisation</b>		<b>2,984,086</b>	<b>2,914,127</b>
<b>Right of use assets: reconciliation to Note 15</b>			
Depreciation of land and buildings		70,863	69,313
Right of use depreciation capitalised		3,607	7,134
<b>Total depreciation for land and buildings</b>	15	<b>74,470</b>	<b>76,447</b>
Depreciation of plant and equipment		116,755	111,242
Right of use depreciation capitalised		17,756	19,784
<b>Total depreciation for plant and equipment</b>	15	<b>134,511</b>	<b>131,026</b>

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

**(e) Grants and subsidies**

	Notes	2022 \$'000	2021 \$'000
Community transport groups		89,275	86,584
Taxi Transport Subsidy Scheme		39,403	37,262
Private Vehicle Conveyance		11,357	8,715
Carparks and interchanges		3,072	5,650
Grants to local councils & other parties		1,184,976	1,037,817
Grants to local councils & other parties - transfer of property, plant and equipment	14	353,326	833,554
National transport regulators		7,219	8,104
Road safety grant to NSW Police and local councils		24,650	26,600
Rail services and capital works		4,019,264	3,127,014
Point to point assistance package		1,151	9,130
Sydney Metro services and capital works		7,563,156	4,422,871
<b>Grants and subsidies</b>		<b>13,296,849</b>	<b>9,603,301</b>



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(f) Finance costs**

	Notes	2022 \$'000	2021 \$'000
Interest expense from lease liabilities	15	65,003	67,669
Interest expense from financial liabilities at amortised cost <sup>1</sup>		26,370	64,374
Other finance costs		24,169	18,221
<b>Finance costs</b>		<b>115,542</b>	<b>150,264</b>

<sup>1</sup> Of the interest expense from financial liabilities at amortised cost, \$26.4 million (2021: \$64.4 million) related to financial liabilities for service concession arrangements. Refer to Note 14 for further details on service concession arrangements.

Refer to Note 2(c) major rail project expenses regarding reclassification of \$16.5 million in 2021.

**(g) Other expenses**

	2022 \$'000	2021 \$'000
Bus contract payments - metropolitan and outer metro bus operators	1,196,440	1,070,827
Major events - bus and rail services	4,570	5,248
Ferry contract payments	132,719	126,996
Light rail contract payments	82,960	101,535
Bus contract payments - rural and regional bus operators	440,996	424,685
Nightride bus services	6,012	6,188
<b>Other expenses</b>	<b>1,863,697</b>	<b>1,735,479</b>

Other expenses include payments to bus, ferry and light rail operators for the provision of bus, ferry and light rail services in the metropolitan, regional and rural areas of New South Wales. As a result of the application of AASB 15 *Revenue from Contracts with Customers*, Transport for NSW was identified as acting as an agent for the purpose of collecting passenger service revenue. As such, revenue from passenger services is not recognised by Transport for NSW, instead it is applied to offset contract payment expenses.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

#### Recognition and measurement

##### (i) Personnel service expenses

Transport for NSW does not directly employ staff. Personnel services are provided by the Transport Service of New South Wales and the Department of Transport and include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies.

Some personnel service expenses are capitalised to the construction costs of property, plant and equipment and intangible assets.

##### (ii) Other operating expenses

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

##### (iii) Insurance

Transport for NSW arranges insurance cover through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The cost of insurance is expensed in the period to which the insurance cover relates.

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

##### (iv) Lease expense

Transport for NSW recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

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

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

##### (v) Shared service charges

Shared service charges represent services provided by Service NSW to Transport for NSW. Since 1 July 2020, Transport for NSW is not charged for the services performed as the budget ownership for the related costs has transferred to Service NSW. The shared service charges are recognised as incurred and are measured at the equivalent fair value of the services received with a corresponding non-cash grant also recognised, refer to Note 3(d).

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

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

#### **(vi) Maintenance expense**

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

#### **(vii) Major rail project expenses**

Transport for NSW manages the design and construction of major rail projects on behalf of TAHE. Since 1 July 2015, TAHE receives a direct equity injection from the Crown in the right of the State of New South Wales to fund its contract activities with Transport for NSW. Under this funding arrangement, TAHE reimburses Transport for NSW for construction costs incurred either monthly or on a deferred basis, in line with the arrangements with other private sector operators. Contract costs relating to satisfied or partly satisfied performance obligations are recognised as expenses when incurred.

#### **(viii) Grants and subsidies**

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

#### **(ix) Finance costs**

Finance costs comprise mainly interest on borrowings, including service concession financial liabilities, and interest charges from leases. In accordance with Treasury's mandate to not-for-profit general government sector agencies, finance costs are expensed and recognised in the Statement of comprehensive income in the period in which they are incurred.

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2022

### 3. Revenue

#### Summary of compliance with financial directives

##### (a) Appropriation

	2022 \$ '000	2021 \$ '000
Appropriations Act	23,219,953	20,343,553
<b>Other Appropriations</b>		
Other variations made to the appropriations during the financial year		
Section 4.9 GSF Act transfer of functions between GSF agencies	21,075	-
Section 4.11 GSF Act (Variations of annual appropriations for Commonwealth grants)	2,519	-
Section 34 of the Appropriations Act 2020 COVID-19 Pandemic Variance	48,836	570,614
Other (Section 32.2 of the Appropriations Act 2020 - Offset Savings - insufficient fund)	(293,000)	-
<b>Total spending authority from parliamentary appropriations, other than deemed appropriations</b>	<b>22,999,383</b>	<b>20,914,167</b>
<b>Add:</b>		
The spending authority from deemed appropriations during the current year	-	-
The unutilised spending authority from deemed appropriations in prior years	-	-
<b>Total Appropriations</b>	<b>22,999,383</b>	<b>20,914,167</b>
<b>Appropriated amount transferred to the TfNSW's Fund bank account<sup>1</sup></b>	<b>22,518,795</b>	<b>17,929,256</b>

<sup>1</sup> This includes only amounts appropriated that have been transferred to the TfNSW's Fund bank account. Parliamentary Appropriations received have been used up during the financial year.

The Minister for Transport and Roads has discretion to apportion the appropriations between the services of TfNSW and the services of the Department of Transport (DoT). In the absence of any apportionment by the Minister, the appropriations are considered as part of the TfNSW Fund.

The following additional amounts have been appropriated and represent a cumulative spending authority that is available for immediate use for the purposes of the TfNSW's Fund but have not been transferred to the bank account established for the TfNSW Fund.

#### Appropriated amount hypothecated to the TfNSW Fund

Authority	Special Deposit Account	2022 \$'000	2021 \$'000
Transport Administration Act 1988	TfNSW Fund	6,341,881	5,861,293
		<b>6,341,881</b>	<b>5,861,293</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

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

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Toll and tag revenue	112,303	134,173
Number plates	176,995	175,731
Publications	7,873	6,554
Advertising	22,086	18,064
Boat licenses and registrations	58,049	54,829
Channel fees	8,573	8,007
Moorings	11,067	10,696
Fees for services rendered	151,311	120,153
Recoupment of project costs	207,657	83,012
Rental income	63,506	60,826
Heavy vehicle permit fees	5,156	4,955
Other	53,306	64,480
<b>Sale of goods and services from contracts with customers</b>	<b>877,882</b>	<b>741,480</b>

**(c) Investment revenue**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Net gain from TCorpIM Funds measured at fair value through profit or loss	3,047	14,029
Interest income from financial assets at amortised cost <sup>1</sup>	23,375	18,686
Amortisation of zero interest Sydney Harbour Tunnel loan	18,486	12,830
M2 and Eastern Distributor promissory notes	7,640	11,252
<b>Investment revenue</b>	<b>52,548</b>	<b>56,797</b>

<sup>1</sup>In the 2021 financial statement, TfNSW recognised \$16.5 million interest revenue in major rail revenue. In 2022, \$16.5 million major rail project revenue (Note 3(g)) was reclassified to investment revenue (Note 3(c)).

**(d) Shared and corporate services revenue**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Shared and corporate services revenue	363,938	253,006
<b>Shared and corporate services revenue</b>	<b>363,938</b>	<b>253,006</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

### 3. Revenue (cont'd)

#### (e) Grants and contributions

	2022 \$'000	2021 \$'000
Commonwealth Home Support Program	79,055	77,706
Other NSW government agencies (non-transport)	517,358	391,343
Private firms and individuals	46,094	24,606
The Crown in the right of the State of New South Wales <sup>1</sup>	1,910,336	2,410,408
Local government	1,817	83
Other State and Territory government agencies	15,283	10,709
<b>Grants and contributions</b>	<b>2,569,943</b>	<b>2,914,855</b>

<sup>1</sup> Transport for NSW received grants from the Crown in the right of the State of NSW in relation to the following: \$1,328.2 million (2021: \$1,036.6 million) for Sydney Metro, \$147.1 million (2021: \$367.0 million) for capital works, \$62.1 million (2021: \$18.8 million) for M12 Motorway, \$41.9 million for the Berry to Bomaderry upgrade (2021: \$102.7 million), \$41.5 million for the Albion Park rail bypass (2021: \$141.0 million), \$36.2 million (2021: \$510.7 million) for the Parramatta Light Rail project and \$51.3 million (2021: \$27.2 million) for redundancies in the Transport cluster and \$202.0 million (2021: \$206.4 million) for other projects.

#### (f) Retained taxes, fees and fines

	2022 \$'000	2021 \$'000
Sanction fees payable under the Fines Act	9,126	8,661
National Heavy Vehicle Regulator charges	55,659	59,890
<b>Retained taxes, fees and fines</b>	<b>64,785</b>	<b>68,551</b>

#### (g) Major rail project revenue

	2022 \$'000	2021 \$'000
Major rail project revenue <sup>1</sup>	1,745,363	1,916,815
<b>Major rail project revenue</b>	<b>1,745,363</b>	<b>1,916,815</b>

<sup>1</sup> Refer to Note 3(c) investment revenue regarding reclassification of \$16.5 million in 2021.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(h) Resources received free of charge**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Personnel service - superannuation - defined benefit	9,798	8,062
Personnel service - long service leave	(4,040)	27,466
Personnel service - payroll tax	474	505
<b>Resources received free of charge</b>	<b>6,232</b>	<b>36,033</b>

**(i) Other income**

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
Revenue related to service concession arrangements*		555,173	507,601
Principal arranged insurance refund		19,519	19,365
Recognition of property, plant and equipment	14	1,562	3,422
Other		40,793	33,035
<b>Other revenue</b>		<b>617,047</b>	<b>563,423</b>

\* This revenue reflects the progressive unwinding of the 'grant of right to operate' liability (Note 22) over the remaining period of the arrangement. Refer to Note 14 for further details on service concession arrangements.

**Recognition and measurement**

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer as defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to Transport for NSW and the income can be reliably measured. Comments regarding the accounting policies for the recognition of income are discussed below.

**(i) Parliamentary appropriations other than deemed appropriations**

Transport for NSW receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Act for that year.

Parliamentary appropriations do not contain enforceable and sufficiently specific performance obligations as defined by AASB 15. Therefore appropriations are recognised as income when Transport for NSW obtains control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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### 3. Revenue (cont'd)

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

##### (i) Parliamentary appropriations other than deemed appropriations (cont'd)

The Appropriation Act 2021 (Appropriations Act) and subsequent variations appropriates the sum of \$22,999.4 million to the Minister for Transport and Roads out of the Consolidated Fund for the services of Transport for NSW for the year 2021–22. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Transport for NSW and entities that it is administratively responsible for, including:

- Transport Service of New South Wales
- Sydney Ferries
- State Transit Authority of NSW
- Sydney Trains
- NSW Trains
- Residual Transport Corporation
- Sydney Metro
- Office of Transport Safety Investigations

The delegation/sub-delegations for FY21/22 and FY20/21, authorising officers of the Transport for NSW to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but do not specify an aggregate expenditure limit for the Transport for NSW. However, as it relates to expenditure in reliance on a sum appropriated through an annual Appropriations Act, the delegation/sub-delegations are referable to the overall authority to spend set out in the relevant Appropriations Act. The individual transaction limits have been properly observed. The information in relation to the limit from the Appropriations Act is disclosed in the summary of compliance table above.

The summary of compliance has been prepared on the basis of aggregating the spending authorities authority of both the Minister for Transport and Roads for the services of Transport for NSW and the responsible Minister for the services of the entities listed above that receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made.



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

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

Revenue from sale of goods is recognised as when Transport for NSW satisfies a performance obligation by transferring the promised goods. The type of goods sold by Transport for NSW is outlined in Note 3(b).

Transport for NSW typically satisfies its performance obligations when control of the goods is transferred to the customers. The payments are typically due when performance obligations have been satisfied.

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

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

#### **(iii) Rendering of services**

Revenue from rendering of services is recognised when Transport for NSW satisfies the performance obligation by transferring the promised services. The type of services provided by Transport for NSW is outlined in Note 3(b).

Transport for NSW typically satisfies its performance obligations when the service is provided or over the term of the service period. The payments are typically due after performance obligations have been satisfied.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

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

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

#### **(v) Shared and corporate services revenue**

Shared and corporate services revenue represents revenue for the provision of shared and other corporate services to various transport operating entities and is recognised when Transport for NSW satisfies the performance obligation by transferring the promised services. Transport for NSW typically satisfies its performance obligations when the service is provided or over the term of the service period. The payments are typically due after performance obligations have been satisfied.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

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

#### **(vi) Grants and contributions**

Grant and contributions (other than contributions by owners) are recognised as income. The timing of recognition is determined by the requirements in either AASB 15 or AASB 1058, as applicable.

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

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

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

Receipt of volunteer services is recognised when the fair value of those services can be reliably determined and the services would have been purchased if not donated. No volunteer services have been recognised because the services would not have been purchased if not donated.

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

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

#### **(viii) Major rail revenue**

Major rail project revenue is recognised in the Statement of comprehensive income in proportion to the stage of completion of these TAHE 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 TAHE for these rail projects are disclosed as an asset, and the amounts due to TAHE are disclosed as a liability.

#### **(ix) Resources received free of charge**

Resources received free of charge is recognised for personnel services assumed by the Crown in the right of the state of New South Wales including long service leave and defined benefit superannuation.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**4. Loss on disposal**

	Notes	2022 \$'000	2021 \$'000
Proceeds from asset sales		3,071	2,519
Net carrying amount of property, plant and equipment disposed	14	(25,584)	(4,738)
Carrying amount of property plant and equipment written off <sup>1</sup>	14	(108,370)	(382,868)
Gain/(loss) on disposal of right of use assets and lease liability		2,297	(1,586)
Net carrying amount of intangibles disposed	16	(3,501)	(573)
Carrying amount of intangibles written off	16	(4,116)	-
Gain on disposal of non-current assets held for sale		9,929	9,255
<b>Loss on disposal</b>		<b>(126,274)</b>	<b>(377,991)</b>

<sup>1</sup> 2021 had the following reclassification in Gain/(loss) on disposal from Note 5 Other gains/(losses): (\$382.9 million) loss on disposal of property, plant and equipment due to write off of (\$354.9 million) infrastructure assets replaced and (\$28.0 million) write off of asset under construction due to abandonment of various capital projects.

**Recognition and measurement**

In regards to infrastructure assets written off (previously disclosed as other gains/(losses)), in cases where Transport for NSW constructs a new infrastructure asset that substantially replaces an existing asset (rather than performing work to maintain the existing asset), the capitalised value of the original asset is written off and the new asset is included within the additions to infrastructure assets Note 14.

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

	Notes	2022 \$'000	2021 \$'000
Net revaluation increment/(decrement) recognised in net result	14	470,223	(188,107)
Impairment reversal/(losses) on property, plant and equipment	14	(1,444)	123,026
Impairment losses on assets held for sale		-	(7,222)
Impairment losses on right of use assets	15	-	(6,319)
Realised gains/(losses) on derivatives		(3,725)	191
Unrealised gains/(losses) on derivatives		48,528	(23)
Derecognition of right of use assets and lease liabilities with Property NSW*	15	93,553	-
Bad debts(written off)/recovered		1	52
<b>Other gains/(losses)</b>		<b>607,136</b>	<b>(78,402)</b>

\* The net gains are recognised from the derecognition of the right of use assets and lease liabilities with Property NSW as at 30 June 2022. Please refer to Note 15 for further details on the derecognition.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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### 5. Other gains / (losses) (cont'd)

The net gain from derecognition of right of use assets and lease liabilities with Property NSW as at 30 June 2022 is reconciled below:

	2022 \$'000
<b>Right of use assets</b>	
Gross carrying value	818,559
Less: accumulated depreciation and accumulated impairment provision	(163,902)
<b>Net book value</b>	<b>654,657</b>
Sub-lease receivable	(8,153)
Lease liabilities	756,363
<b>Net gain from derecognition of Property NSW lease</b>	<b>93,553</b>

#### Recognition and measurement

Gains and losses include gains and losses on disposals and fair value adjustments to physical and financial assets, and financial liabilities. Other gains and losses disclosed are those recognised in the net result arising from property, plant and equipment revaluations, write down of inventories, gain/loss resulting from financial assets and liabilities and reversal of unused provisions.

6. State outcome group statements

Statement of comprehensive income

	Successful places for communities		Connecting our customers' whole lives		Sustainable Transport Systems and Solutions Supporting Economic Activity		Not attributable		Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 '000	2022 \$'000	2021 \$'000
<b>Expenses excluding losses</b>										
Personnel service expenses	99,045	67,878	1,013,496	873,720	36,348	120,576	-	-	1,148,889	1,062,174
Other operating expenses	542,849	268,417	2,048,010	1,705,078	111,958	270,000	-	-	2,702,817	2,243,495
Major rail project expense	-	-	1,745,363	1,933,291	-	-	-	-	1,745,363	1,933,291
Depreciation and amortisation	-	-	2,981,992	2,912,094	2,094	2,033	-	-	2,984,086	2,914,127
Grants and subsidies	124,442	153,371	6,199,369	5,010,062	6,973,038	4,439,868	-	-	13,296,849	9,603,301
Finance costs	-	1,142	115,348	120,162	194	12,484	-	-	115,542	133,788
Other expenses	-	36	1,863,697	1,082,880	-	652,563	-	-	1,863,697	1,735,479
<b>Total expenses excluding losses</b>	<b>766,336</b>	<b>490,844</b>	<b>15,967,275</b>	<b>13,637,287</b>	<b>7,123,632</b>	<b>5,497,524</b>	-	-	<b>23,857,243</b>	<b>19,625,655</b>
<b>Revenue</b>										
Appropriation	-	-	-	-	-	-	22,518,795	17,929,256	22,518,795	17,929,256
Sale of goods and services from contracts with customers	63,536	69,001	772,536	631,546	41,810	40,404	-	-	877,882	740,951
Investment revenue	3,047	11,758	49,501	28,562	-	-	-	-	52,548	40,320
Shared and corporate services revenue	-	2,024	363,938	227,958	-	23,024	-	-	363,938	253,006
Grants and contributions	96,296	1,311	349,881	1,454,956	2,123,766	1,458,588	-	-	2,569,943	2,914,855
Retained taxes, fees and fines	-	-	64,785	68,551	-	-	-	-	64,785	68,551
Major rail project revenue	-	-	1,745,363	1,933,291	-	-	-	-	1,745,363	1,933,291
Resources received free of charge	537	3,336	5,498	31,751	197	946	-	-	6,232	36,033
Other revenue	-	869	569,834	427,961	47,213	135,123	-	-	617,047	563,953
<b>Total revenue</b>	<b>163,416</b>	<b>88,299</b>	<b>3,921,336</b>	<b>4,804,576</b>	<b>2,212,986</b>	<b>1,658,085</b>	<b>22,518,795</b>	<b>17,929,256</b>	<b>28,816,533</b>	<b>24,480,216</b>
Gain/(loss) on disposal	(42,091)	11,776	(84,183)	(6,899)	-	-	-	-	(126,274)	4,877
Other gains/(losses)	-	(2,251)	607,136	(384,636)	-	(74,383)	-	-	607,136	(461,270)
Impairment reversal/(loss) on financial assets	-	-	(1,971)	(223)	-	-	-	-	(1,971)	(223)
<b>Net result</b>	<b>(645,011)</b>	<b>(393,020)</b>	<b>(11,524,957)</b>	<b>(9,224,469)</b>	<b>(4,910,646)</b>	<b>(3,913,822)</b>	<b>22,518,795</b>	<b>17,929,256</b>	<b>5,438,181</b>	<b>4,397,945</b>
<b>Other comprehensive income</b>										
Net gains/(losses) in commodity swaps and foreign exchange	-	-	(38)	33	-	-	-	-	(38)	33
Net increase/(decrease) in asset revaluation surplus	-	15,255	7,655,013	463,667	-	89,538	-	-	7,655,013	568,460
<b>Total other comprehensive income</b>	<b>-</b>	<b>15,255</b>	<b>7,654,975</b>	<b>463,700</b>	<b>-</b>	<b>89,538</b>	<b>-</b>	<b>-</b>	<b>7,654,975</b>	<b>568,493</b>
<b>Total comprehensive income</b>	<b>(645,011)</b>	<b>(377,765)</b>	<b>(3,869,982)</b>	<b>(8,760,769)</b>	<b>(4,910,646)</b>	<b>(3,824,284)</b>	<b>22,518,795</b>	<b>17,929,256</b>	<b>13,093,156</b>	<b>4,966,438</b>

The allocation of various line items to state outcome groups in the prior year have been revised to more appropriately reflect their underlying nature.

Appropriations are made on an entity basis and not to individual state outcome groups. Consequently appropriations are included in the "Not attributable" column

6. State outcome group statements (cont'd)

Statement of financial position

	Successful places for communities		Connecting our customers' whole lives		Sustainable Transport Systems and Solutions Supporting Economic Activity		Not attributable		Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	-	64,383	319,667	771,048	301,449	931,322	1,303,075	743,036	1,924,191	2,509,789
Receivables	85,904	150,998	1,015,157	881,926	51,385	79,083	-	-	1,152,446	1,112,007
Inventories	-	1,080	6,998	3,988	-	212	-	-	6,998	5,280
Financial assets at fair value	-	-	3,069	133,993	-	-	-	-	3,069	133,993
Non-current assets held for sale	26,921	22,254	-	240	-	13	-	-	26,921	22,507
Other financial assets (at amortised cost)	221,737	1,609	-	-	-	-	-	-	221,737	1,609
<b>Total current assets</b>	<b>334,562</b>	<b>240,324</b>	<b>1,344,891</b>	<b>1,791,195</b>	<b>352,834</b>	<b>1,010,630</b>	<b>1,303,075</b>	<b>743,036</b>	<b>3,335,362</b>	<b>3,785,185</b>
<b>Non-current assets</b>										
Receivables	4,786	90	58,190	2,052	3,149	371,035	-	-	66,125	373,177
Financial assets at fair value	-	-	45,774	-	-	-	-	-	45,774	-
Other financial assets	2,770	3,332	574,392	276,467	-	-	-	-	577,162	279,799
Property, plant and equipment										
Land and buildings	-	-	5,435,358	5,201,820	-	-	-	-	5,435,358	5,201,820
Plant and equipment	-	-	2,087,851	1,992,751	-	-	-	-	2,087,851	1,992,751
Infrastructure systems	-	-	144,172,687	132,728,314	-	-	-	-	144,172,687	132,728,314
Property, plant and equipment	-	-	151,695,896	139,922,885	-	-	-	-	151,695,896	139,922,885
Right of use assets	-	53,674	890,501	1,216,768	15,309	267,283	-	-	905,810	1,537,725
Intangible assets	94,731	279,652	1,073,470	550,652	19,538	117,490	-	-	1,187,739	947,794
<b>Total non-current assets</b>	<b>102,287</b>	<b>336,748</b>	<b>154,338,223</b>	<b>141,968,824</b>	<b>37,996</b>	<b>755,808</b>	<b>-</b>	<b>-</b>	<b>154,478,506</b>	<b>143,061,380</b>
<b>Total assets</b>	<b>436,849</b>	<b>577,072</b>	<b>155,683,114</b>	<b>143,760,019</b>	<b>390,830</b>	<b>1,766,438</b>	<b>1,303,075</b>	<b>743,036</b>	<b>157,813,868</b>	<b>146,846,565</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Payables	569,249	472,255	2,015,264	1,885,568	117,543	607,362	-	-	2,702,056	2,965,185
Contract liabilities	2,673	56,722	18,747	209,632	69,748	11,168	-	-	91,168	277,522
Borrowings	-	46,499	337,220	489,905	546	806,039	-	-	337,766	1,342,443
Provisions	16,127	26,942	112,670	5,765	748	1,032	-	-	129,545	33,739
Other liabilities	2,816	1,360	923,047	842,258	7,390	14,343	-	-	933,253	857,961
<b>Total current liabilities</b>	<b>590,865</b>	<b>603,778</b>	<b>3,406,948</b>	<b>3,433,128</b>	<b>195,975</b>	<b>1,439,944</b>	<b>-</b>	<b>-</b>	<b>4,193,788</b>	<b>5,476,850</b>
<b>Non-current liabilities</b>										
Payables	-	-	-	-	-	354,684	-	-	-	354,684
Contract liabilities	2,251	7,103	18,934	64,892	78,606	4,159	-	-	99,791	76,154
Borrowings	-	328,907	3,026,547	1,143,527	6,224	1,929,215	-	-	3,032,771	3,401,649
Provisions	531	24,451	24,060	5,232	109	936	-	-	24,700	30,619
Other liabilities	-	2,269	16,792,770	16,789,542	-	9,205	-	-	16,792,770	16,801,016
<b>Total non-current liabilities</b>	<b>2,782</b>	<b>362,730</b>	<b>19,862,311</b>	<b>18,003,193</b>	<b>84,939</b>	<b>2,298,199</b>	<b>-</b>	<b>-</b>	<b>19,950,032</b>	<b>20,664,122</b>
<b>Total liabilities</b>	<b>593,647</b>	<b>966,508</b>	<b>23,269,259</b>	<b>21,436,321</b>	<b>280,914</b>	<b>3,738,143</b>	<b>-</b>	<b>-</b>	<b>24,143,820</b>	<b>26,140,972</b>
<b>Net assets</b>	<b>(156,798)</b>	<b>(389,436)</b>	<b>132,413,855</b>	<b>122,323,698</b>	<b>109,916</b>	<b>(1,971,705)</b>	<b>1,303,075</b>	<b>743,036</b>	<b>133,670,048</b>	<b>120,705,593</b>

The allocation of various line items to state outcome groups in the prior year have been revised to more appropriately reflect their underlying nature.

6. State outcome group statements (cont'd)

Administered Expenses and Income

	Successful places for communities		Connecting our customers' whole lives		Sustainable Transport Systems and Solutions Supporting Economic Activity		Not attributable		Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Administered Expenses</b>										
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	3,131	2,644	3,131	2,644
<b>Total administered expenses</b>	-	-	-	-	-	-	<b>3,131</b>	<b>2,644</b>	<b>3,131</b>	<b>2,644</b>
<b>Administered Income</b>										
Transfer receipts - taxes, fees and fines	-	-	-	-	-	-	4,189,034	4,085,682	4,189,034	4,085,682
<b>Total administered income</b>	-	-	-	-	-	-	<b>4,189,034</b>	<b>4,085,682</b>	<b>4,189,034</b>	<b>4,085,682</b>
<b>Administered income less expenses</b>	-	-	-	-	-	-	<b>4,185,903</b>	<b>4,083,038</b>	<b>4,185,903</b>	<b>4,083,038</b>

## **6. State outcome group statements (cont'd)**

The NSW Government has developed a set of State Outcomes which articulate the primary purpose for which public resources are being spent, and the goals that Government is seeking to achieve for its citizens. Transport for NSW's state outcome groups are mapped to the following State Outcomes:

### **For communities: Successful places for communities**

This outcome reflects Transport's impact on communities across NSW, supporting them to achieve their desired social, cultural, and economic outcomes. The successful places for communities outcome focuses on:

- Integrated resilient and accessible transport networks and places
- Protecting and enhancing communities and their environments.

### **For customers: Connecting our customers' whole lives**

The Transport cluster will deliver and enable transport solutions that blend seamlessly into its customers' lifestyles, catering for the wide range of journey types needed by people, and for the movement of freight. The connecting our customers' whole lives outcome focuses on:

- Safe, seamless journeys for people and goods
- New mobility options and experiences.

### **For the people of NSW: Sustainable Transport Systems and Solutions Supporting Economic Activity**

Transport must acknowledge and embrace the critical role we play in driving economic growth and improving the quality of life for the people of NSW. The 'transport systems and solutions that are financially and environmentally sustainable, supporting economic activity across the state' focuses on:

- Quality assets and efficient networks maintained at the right price
- Transport investment and solutions that service the people of NSW.



**Transport for NSW**  
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**7. Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating account	1,567,110	2,235,778
Remitting account, cash in transit and cash on hand <sup>1</sup>	121,346	104,947
On call deposits	107,776	64,380
Other	127,959	104,684
<b>Cash and cash equivalents<sup>2</sup></b>	<b>1,924,191</b>	<b>2,509,789</b>

<sup>1</sup> The remitting account balance above does not include cash of \$39.3 million (2021: \$36.9 million) relating to administered revenue held by Transport for NSW as at 30 June 2022 (refer to Note 29).

<sup>2</sup> The cash and cash equivalents account balance includes restricted cash (refer to Note 18).

Cash and cash equivalents comprise of cash on hand and cash at bank held predominantly through the Treasury Banking System (TBS). \$319.7 million (2021: \$295.5 million) of Opal fare box revenue to be paid to service operators and Opal cardholder balances comprise of accounts held through the TBS and outside of the TBS.

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

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalent (per Statement of financial position)	1,924,191	2,509,789
<b>Cash and cash equivalents (per Statement of cash flows)</b>	<b>1,924,191</b>	<b>2,509,789</b>

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

Cash and cash equivalent assets includes funds held in trust for compulsory land acquisition compensation payable under the *Land Acquisition (Just Terms Compensation) Act 1991* of \$36.2 million (2021: \$34.6 million).

**Transport for NSW**  
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**8. Receivables**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current receivables</b>		
Trade receivables from contracts with customers	54,330	262,834
Goods and Services Tax receivable	271,233	362,108
Prepayments - others	288,490	261,819
Income receivable	37,594	10,196
Property sales	206	13,198
Other receivables	509,392	203,394
Sub-lease receivable	-	5,490
Investment income receivable	105	492
	<b>1,161,350</b>	<b>1,119,531</b>
Less: Allowance for expected credit loss	(8,904)	(7,524)
<b>Current receivables</b>	<b>1,152,446</b>	<b>1,112,007</b>
<b>Movement in allowance for expected credit loss</b>		
Opening balance at 1 July	(7,524)	(11,591)
Increase in allowance recognised in net result	(1,971)	(223)
Amounts written off during the period	583	4,290
Unused provision reversed	8	-
<b>Balance at 30 June</b>	<b>(8,904)</b>	<b>(7,524)</b>
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current receivables<sup>1</sup></b>		
Prepayments - others	66,125	10,340
Sub-lease receivable	-	8,153
<b>Non-current receivables</b>	<b>66,125</b>	<b>18,493</b>

<sup>1</sup> In the 2021 financial statements, TfNSW recognised a non-current receivable of \$354.7 million from TAHE in relation to construction costs incurred but not billed to TAHE, and a corresponding non-current payable of \$354.7 million (Note 19) in relation to the amounts owed by TfNSW to the vendor upon completion. In 2022, these amounts were reclassified as financial assets and liabilities, respectively. Non-current receivables of \$354.7 million were reclassified to Non-current Other financial assets (Note 13) and Non-current payables of \$354.7 million were reclassified to Non-current Borrowings - Other financial liabilities at amortised cost (Note 20). The new presentation accurately reflects the nature of the underlying asset and liability.

**Recognition and measurement**

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

**Subsequent measurement**

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

**Transport for NSW**  
**Notes to the financial statements**  
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**8. Receivables (cont'd)**

**Impairment**

Transport for NSW recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate. For trade receivables, Transport for NSW applies a simplified approach in calculating ECLs. Transport for NSW recognises a loss allowance based on lifetime ECLs at each reporting date. Transport for NSW has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

**9. Contract liabilities**

	2022 \$'000	2021 \$'000
Contract liabilities - current	91,168	277,522
Contract liabilities - non current	99,791	76,154
<b>Contract liabilities</b>	<b>190,959</b>	<b>353,676</b>

  

	2022 \$'000	2021 \$'000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	265,490	151,447
Transaction price allocated to remaining performance obligations from contracts with customers	190,959	353,676

**Recognition and measurement**

Contract liabilities relate to consideration received in advance from customers in respect of licence fees and toll revenue, and for accrued revenue for projects where milestones have not yet been met. The balance of contract liabilities at 30 June 2022 and 30 June 2021 is driven by the amount of revenue that is prepaid by customers before they are utilised.

**10. Inventories**

	2022 \$'000	2021 \$'000
Materials, spare parts and other stores	6,998	5,280
<b>Inventories</b>	<b>6,998</b>	<b>5,280</b>

**Recognition and measurement**

Inventories consist mainly of raw materials and supplies used for the construction and maintenance of roads, bridges and traffic signals and personal protection equipment.

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

### 10. Inventories (cont'd)

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

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost Transport for NSW would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 11. Financial assets at fair value

	2022 \$'000	2021 \$'000
Foreign exchange derivatives - cash flow hedges	38	-
Derivatives - interest rate swaps	3,031	-
<b>Financial assets held for trading</b>	<b>3,069</b>	<b>-</b>
TCorpIM Funds - long-term growth facility	-	45,095
TCorpIM Funds - medium-term growth facility	-	88,898
<b>Financial assets at fair value through profit or loss</b>	<b>-</b>	<b>133,993</b>
<b>Current financial assets at fair value</b>	<b>3,069</b>	<b>133,993</b>
Foreign exchange derivatives - cash flow hedges	1,609	-
Derivatives - interest rate swaps	44,165	-
<b>Non-current financial assets at fair value</b>	<b>45,774</b>	<b>-</b>

Derivative financial instruments are used to hedge against exposures to foreign currency risk on overseas purchase commitments and to hedge against exposures on variable interest rate arrangements.

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.

Transport for NSW holds interest rate swap derivatives to manage its interest rate risk exposure arising from public-private partnership payment commitments, which are not designated in an accounting hedge relationship. The derivatives are categorised as held for trading.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

#### Recognition and measurement

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

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

**Transport for NSW**  
**Notes to the financial statements**  
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**11. Financial assets at fair value (cont'd)**

**(i) Financial assets at fair value through profit and loss**

Transport for NSW's financial assets at fair value are classified, at initial recognition, as subsequently measured at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds were redeemed in current year and converted to cash following changes to Government Sector Finance Act. TCorpIM Funds were classified as financial assets at fair value through profit or loss.

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

**12. Non-current assets held for sale**

	2022 \$'000	2021 \$'000
<b>Non-current assets held for sale</b>		
Land and buildings held for sale	26,877	22,507
Plant and equipment	44	-
<b>Non-current assets held for sale</b>	<b>26,921</b>	<b>22,507</b>

**Recognition and measurement**

Transport for NSW has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition, and the sale of the asset is expected to be completed within one year from the date of classification. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs of disposal.

These assets are not depreciated while they are classified as held for sale.

Land and buildings held for sale include properties that have been identified as no longer required to fulfil long-term plans for road development or administrative needs. These assets are placed on auction or tender as outlined in the annual asset selling plan and sales budget. Plant and equipment held for sale mainly consists of fleet assets that are no longer required for business purposes.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

### 13. Other financial assets

	2022 \$'000	2021 \$'000
<b>Current other financial assets</b>		
Biodiversity offset deposit	1,609	1,609
Loan to Sydney Harbour Tunnel Company	220,128	-
<b>Current other financial assets</b>	<b>221,737</b>	<b>1,609</b>
	2022 \$'000	2021 \$'000
<b>Non-current other financial assets</b>		
Loan to Sydney Harbour Tunnel Company	-	201,642
M2 and Eastern distributor operators promissory notes	82,466	74,825
Loan to Transport Asset Holding Entity of New South Wales <sup>1</sup>	491,926	354,684
Interest free advances to taxi operators	2,770	3,332
<b>Non-current other financial assets</b>	<b>577,162</b>	<b>634,483</b>

<sup>1</sup> The loan to Transport Asset Holding Entity of NSW includes interest of \$21.8 million (2021: \$16.5 million). Refer to Note 8 Non-current receivables regarding reclassification of \$354.7 million in 2021.

Refer to Note 30 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments. Refer to Note 8 for further details on the impact arising from prior year reclassification.

#### Recognition and measurement

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

Loans, promissory notes, held-to-maturity investments and other recoverable amounts are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially measured at fair value plus any transaction cost.

#### Subsequent measurement

##### *Loans and receivables*

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the Statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses).

##### *Financial assets at amortised cost*

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the Statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses).

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 30.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**13. Other financial assets (cont'd)**

**Impairment**

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

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within 12-months from the balance date (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, Transport for NSW considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

**14. Property, plant and equipment**

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

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>As at 30 June 2022</b>				
Gross carrying amount	5,928,861	3,902,678	183,631,314	193,462,853
Accumulated depreciation and impairment	(493,503)	(1,814,827)	(39,458,627)	(41,766,957)
<b>Net carrying amount</b>	<b>5,435,358</b>	<b>2,087,851</b>	<b>144,172,687</b>	<b>151,695,896</b>

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>As at 30 June 2021</b>				
Gross carrying amount	5,659,104	3,577,239	168,544,831	177,781,174
Accumulated depreciation and impairment	(457,284)	(1,584,488)	(35,816,517)	(37,858,289)
<b>Net carrying amount</b>	<b>5,201,820</b>	<b>1,992,751</b>	<b>132,728,314</b>	<b>139,922,885</b>

Pages 38 - 41 display the reconciliations of broad categories as a total. The reconciliations of classes of assets are disclosed in Pages 42 – 48 below.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 17.

**Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current and prior reporting period is set out on the next page.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

<b>As at 30 June 2022</b>	<b>Notes</b>	<b>Land and buildings \$ '000</b>	<b>Plant and equipment \$ '000</b>	<b>Infrastructure systems \$ '000</b>	<b>Total property, plant and equipment \$ '000</b>
Net carrying amount at the beginning of the year		5,201,820	1,992,751	132,728,314	139,922,885
Additions		288,295	165,502	6,630,118	7,083,915
Disposals	4	(16,252)	(9,332)	-	(25,584)
Asset write-off	4	(2,378)	(6,725)	(99,267)	(108,370)
Reclassifications within property, plant and equipment		34,169	83,943	(118,112)	-
Reclassifications (to)/from intangible assets	16	-	(5,226)	(192,220)	(197,446)
Assets transferred (to)/from non-current assets held for sale		(91,116)	(234)	-	(91,350)
Depreciation expense	2(d)	(51,218)	(213,284)	(2,354,108)	(2,618,610)
Assets recognised for the first time	3(i)	-	34	1,528	1,562
Net increase/(decrease) in asset revaluation reserve		110,320	80,336	7,464,357	7,655,013
Revaluation increment/(decrement) through net result	5	(40,714)	-	510,937	470,223
Asset transfer (to)/from equity	23(d)	3,876	86	(47,351)	(43,389)
Transfer to local councils, NSW government agencies & other parties	2(e)	-	-	(353,326)	(353,326)
Transfer from local councils		-	-	1,817	1,817
Impairment losses	5	(1,444)	-	-	(1,444)
<b>Net carrying amount at the end of the year</b>		<b>5,435,358</b>	<b>2,087,851</b>	<b>144,172,687</b>	<b>151,695,896</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 17.

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

<b>As at 30 June 2021</b>	<b>Notes</b>	<b>Land and buildings \$ '000</b>	<b>Plant and equipment \$ '000</b>	<b>Infrastructure systems \$ '000</b>	<b>Total property, plant and equipment \$ '000</b>
Net carrying amount at the beginning of the year		4,206,627	1,979,811	126,518,790	132,705,228
Additions		728,135	154,677	8,867,760	9,750,572
Disposals	4	(694)	(4,044)	-	(4,738)
Asset write-off	4	(4,104)	(1,165)	(377,599)	(382,868)
Transfer (to)/from other assets and liabilities		-	-	(203,759)	(203,759)
Reclassifications (to)/from property, plant and equipment		250,279	14,561	(264,840)	-
Reclassifications (to)/from intangible assets	16	-	91,184	7,751	98,935
Assets transferred to/from non-current assets held for sale		(69,551)	-	-	(69,551)
Depreciation expense	2(d)	(49,661)	(255,412)	(2,256,037)	(2,561,110)
First time recognition of acquisition	3(i)	2,929	-	493	3,422
Net revaluation increment/(decrement) recognised in equity		41,223	13,137	514,100	568,460
Revaluation increment/decrement through P/L	5	85,060	-	(273,167)	(188,107)
Asset transfer to/from equity	23(d)	4,086	-	-	4,086
Net increase in assets from administrative restructure	23(e)	30,598	2	874,540	905,140
Transfer to local councils, NSW government agencies & other parties	2(e)	(29,245)	-	(804,309)	(833,554)
Transfer from local councils	3(e)	1,672	-	6,031	7,703
Impairment losses	5	4,466	-	118,560	123,026
<b>Net carrying amount at the end of the year</b>		<b>5,201,820</b>	<b>1,992,751</b>	<b>132,728,314</b>	<b>139,922,885</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Property, plant and equipment held and used by Transport for NSW**

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>As at 30 June 2022</b>				
Gross carrying amount	4,534,113	3,902,678	183,244,927	191,681,718
Accumulated depreciation and impairment	(492,687)	(1,814,827)	(39,458,627)	(41,766,141)
<b>Net carrying amount</b>	<b>4,041,426</b>	<b>2,087,851</b>	<b>143,786,300</b>	<b>149,915,577</b>

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>As at 30 June 2021</b>				
Gross carrying amount	4,624,145	3,577,239	168,167,915	176,369,299
Accumulated depreciation and impairment	(456,543)	(1,584,488)	(35,816,517)	(37,857,548)
<b>Net carrying amount</b>	<b>4,167,602</b>	<b>1,992,751</b>	<b>132,351,398</b>	<b>138,511,751</b>

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

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>As at 30 June 2022</b>				
Net carrying amount at the beginning of the year	4,167,602	1,992,751	132,351,398	138,511,751
Additions	288,295	165,502	6,630,118	7,083,915
Disposals	(16,252)	(9,332)	-	(25,584)
Asset write-off	(2,378)	(6,725)	(99,267)	(108,370)
Reclassifications within property, plant and equipment	(37,513)	83,943	(118,112)	(71,682)
Reclassifications (to)/from intangible assets	-	(5,226)	(192,220)	(197,446)
Assets transferred (to)/from non-current assets held for sale	(91,116)	(234)	-	(91,350)
Depreciation expense	(51,186)	(213,284)	(2,354,108)	(2,618,578)
Assets recognised for the first time	-	34	1,528	1,562
Net increase/(decrease) in asset revaluation reserve	113,836	80,336	7,454,886	7,649,058
Revaluation increment/(decrement) through net result	(332,294)	-	510,937	178,643
Asset transfer to/from equity	3,876	86	(47,351)	(43,389)
Transfer to local councils, NSW government agencies & other parties	-	-	(353,326)	(353,326)
Transfer from local councils	-	-	1,817	1,817
Impairment losses	(1,444)	-	-	(1,444)
<b>Net carrying amount at the end of the year</b>	<b>4,041,426</b>	<b>2,087,851</b>	<b>143,786,300</b>	<b>149,915,577</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Property, plant and equipment held and used by Transport for NSW (cont'd)**

	Land and buildings	Plant and equipment	Infrastructure systems	Total property, plant and equipment
<b>As at 30 June 2021</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net carrying amount at the beginning of the year	3,197,140	1,979,811	126,166,441	131,343,392
Additions	727,862	154,677	8,867,760	9,750,299
Disposals	(694)	(4,044)	-	(4,738)
Asset write-off	(4,104)	(1,165)	(377,599)	(382,868)
Transfer (to)/from other assets and liabilities	-	-	(203,759)	(203,759)
Reclassifications within property, plant and equipment	246,311	14,561	(264,840)	(3,968)
Reclassifications from intangible assets	-	91,184	7,751	98,935
Assets transferred to non-current assets held for sale	(69,551)	-	-	(69,551)
Depreciation expense	(49,628)	(255,412)	(2,256,037)	(2,561,077)
Assets recognised for the first time	2,879	-	493	3,372
Net increase in asset revaluation reserve	26,818	13,137	489,533	529,488
Revaluation increment through net result	85,060	-	(273,167)	(188,107)
Asset transfer from equity	4,086	-	-	4,086
Net increase in assets from administrative restructure	24,530	2	874,540	899,072
Transfer to local councils, NSW government agencies & other parties	(29,245)	-	(804,309)	(833,554)
Transfer from local councils	1,672	-	6,031	7,703
Reversal of impairment losses	4,466	-	118,560	123,026
<b>Net carrying amount at the end of the year</b>	<b>4,167,602</b>	<b>1,992,751</b>	<b>132,351,398</b>	<b>138,511,751</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

Property, plant and equipment where Transport for NSW is lessor under operating leases

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>As at 30 June 2022</b>				
Gross carrying amount	1,394,748	-	386,387	1,781,135
Accumulated depreciation and impairment	(816)	-	-	(816)
<b>Net carrying amount</b>	<b>1,393,932</b>	<b>-</b>	<b>386,387</b>	<b>1,780,319</b>

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>As at 30 June 2021</b>				
Gross carrying amount	1,034,959	-	376,916	1,411,875
Accumulated depreciation and impairment	(741)	-	-	(741)
<b>Net carrying amount</b>	<b>1,034,218</b>	<b>-</b>	<b>376,916</b>	<b>1,411,134</b>

A reconciliation of the carrying amount of each class of property, plant and equipment subject to an operating lease at the beginning and end of the reporting period is set out below:

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>As at 30 June 2022</b>				
Net carrying amount at the beginning of the year	1,034,218	-	376,916	1,411,134
Reclassifications within property, plant and equipment	71,682	-	-	71,682
Depreciation expense	(32)	-	-	(32)
Net increase/(decrease) in asset revaluation reserve	(3,516)	-	9,471	5,955
Revaluation increment/(decrement) through net result	291,580	-	-	291,580
<b>Net carrying amount at the end of the year</b>	<b>1,393,932</b>	<b>-</b>	<b>386,387</b>	<b>1,780,319</b>

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>As at 30 June 2021</b>				
Net carrying amount at the beginning of the year	1,009,487	-	352,349	1,361,836
Additions	273	-	-	273
Reclassifications within property, plant and equipment	3,968	-	-	3,968
Depreciation expense	(33)	-	-	(33)
Net increase in asset revaluation reserve	14,405	-	24,567	38,972
Net increase in assets from administrative restructure	6,068	-	-	6,068
Assets recognised for the first time	50	-	-	50
<b>Net carrying amount at the end of the year</b>	<b>1,034,218</b>	<b>-</b>	<b>376,916</b>	<b>1,411,134</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Land and buildings reconciliation**

<b>As at 30 June 2022</b>	<b>Notes</b>	<b>Land \$'000</b>	<b>Buildings \$'000</b>	<b>Land acquired for future works \$'000</b>	<b>Leasehold improvements \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
Net carrying amount at the beginning of the year		703,278	636,300	3,619,880	80,614	161,748	5,201,820
Additions		697	-	207,848	67,037	12,713	288,295
Disposals		(16,140)	-	-	(112)	-	(16,252)
Asset write-off		-	(2,378)	-	-	-	(2,378)
Reclassifications within property, plant and equipment		1,347	(102,853)	251,489	14,571	(130,385)	34,169
Assets transferred (to)/from non-current assets held for sale		-	-	(91,116)	-	-	(91,116)
Depreciation expense	2(d)	-	(27,761)	-	(23,457)	-	(51,218)
Net increase/(decrease) in asset revaluation reserve		110,320	-	-	-	-	110,320
Net revaluation increment/(decrement) recognised in net result		-	8,500	(49,214)	-	-	(40,714)
Asset transfer (to)/from equity		2,718	1,518	(360)	-	-	3,876
Impairment losses		-	(1,444)	-	-	-	(1,444)
<b>Net carrying amount at the end of the year</b>		<b>802,220</b>	<b>511,882</b>	<b>3,938,527</b>	<b>138,653</b>	<b>44,076</b>	<b>5,435,358</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Land and buildings reconciliation (cont'd)**

<b>As at 30 June 2021</b>	<b>Notes</b>	<b>Land \$'000</b>	<b>Buildings \$'000</b>	<b>Land acquired for future works \$'000</b>	<b>Leasehold improvements \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
Net carrying amount at the beginning of the year		619,300	463,304	2,962,374	48,471	113,178	4,206,627
Additions		395	-	610,895	499	116,343	728,132
Disposals		-	(655)	-	(39)	-	(694)
Asset write-off		-	(4,104)	-	-	-	(4,104)
Reclassifications within property, plant and equipment		(14,782)	279,591	(721)	53,964	(67,773)	250,279
Assets transferred (to)/from non-current assets held for sale		-	-	(69,551)	-	-	(69,551)
Depreciation expense	2(d)	-	(27,380)	-	(22,281)	-	(49,661)
Assets recognised for the first time		407	2,472	51	-	-	2,930
Net increase in asset revaluation reserve		59,044	(17,820)	(1)	-	-	41,223
Net revaluation increment/(decrement) recognised in net result		-	(31,773)	116,833	-	-	85,060
Asset transfer (to)/from equity		3,374	713	-	-	-	4,087
Net increase in assets from administrative restructure		29,402	1,196	-	-	-	30,598
Transfer from local councils		1,672	-	-	-	-	1,672
Reversal of impairment losses		4,466	-	-	-	-	4,466
Transfer to local councils		-	(29,244)	-	-	-	(29,244)
<b>Net carrying amount at the end of the year</b>		<b>703,278</b>	<b>636,300</b>	<b>3,619,880</b>	<b>80,614</b>	<b>161,748</b>	<b>5,201,820</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Plant and equipment reconciliation**

<b>As at 30 June 2022</b>	<b>Notes</b>	<b>Plant and equipment \$'000</b>	<b>Buses \$'000</b>	<b>Rolling stock \$'000</b>	<b>Ferries \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
Net carrying amount at the beginning of the year		754,424	330,649	692,278	1,385	214,015	1,992,751
Additions		870	-	-	-	164,632	165,502
Disposals		(8,175)	(1,157)	-	-	-	(9,332)
Asset write-off		(6,725)	-	-	-	-	(6,725)
Reclassifications within property, plant and equipment		27,118	7,963	-	-	48,862	83,943
Reclassifications (to)/from intangible assets		13,117	-	-	-	(18,343)	(5,226)
Assets transferred (to)/from non-current assets held for sale		(234)	-	-	-	-	(234)
Depreciation expense	2(d)	(146,245)	(42,038)	(24,865)	(136)	-	(213,284)
Assets recognised for the first time		34	-	-	-	-	34
Net increase/(decrease) in asset revaluation reserve		568	29,358	50,410	-	-	80,336
Asset transfer (to)/from equity		86	-	-	-	-	86
<b>Net carrying amount at the end of the year</b>		<b>634,838</b>	<b>324,775</b>	<b>717,823</b>	<b>1,249</b>	<b>409,166</b>	<b>2,087,851</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Plant and equipment reconciliation (cont'd)**

<b>As at 30 June 2021</b>	<b>Notes</b>	<b>Plant and equipment \$'000</b>	<b>Buses \$'000</b>	<b>Rolling stock \$'000</b>	<b>Ferries \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
Net carrying amount at the beginning of the year		841,965	347,740	704,737	1,521	83,848	1,979,811
Additions		1,647	30,079	-	-	122,951	154,677
Disposals		(1,976)	(2,068)	-	-	-	(4,044)
Asset write-off		(1,165)	-	-	-	-	(1,165)
Transfer t(o)/from other classes of property, plant and equipment		14,643	1	-	-	(83)	14,561
Reclassifications (to)/from intangible assets		47,932	-	-	-	43,252	91,184
Depreciation expense	2(d)	(185,619)	(45,103)	(24,554)	(136)	-	(255,412)
Net increase in asset revaluation reserve		1,042	-	12,095	-	-	13,137
Net increase in assets from administrative restructure	23(e)	2	-	-	-	-	2
Transfer (to)/from assets under construction		35,953	-	-	-	(35,953)	-
<b>Net carrying amount at the end of the year</b>		<b>754,424</b>	<b>330,649</b>	<b>692,278</b>	<b>1,385</b>	<b>214,015</b>	<b>1,992,751</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Infrastructure systems reconciliation**

<b>As at 30 June 2022</b>	<b>Notes</b>	<b>Roads \$ '000</b>	<b>Land under roads and tracks \$ '000</b>	<b>Bridges and Tunnels \$ '000</b>	<b>Traffic signals network \$ '000</b>	<b>Traffic controls network \$ '000</b>	<b>Rail systems \$ '000</b>	<b>Maritime infrastructure \$ '000</b>	<b>Assets under construction \$ '000</b>	<b>Total \$ '000</b>
Net carrying amount at the beginning of the year		74,212,071	2,061,450	34,927,580	305,931	1,855,634	1,927,513	2,088,233	15,349,902	132,728,314
Additions		12,086	826	27,368	-	-	-	-	6,589,838	6,630,118
Asset write-off		(13,780)	-	(47,273)	(2,126)	(5,156)	(1,409)	(2,059)	(27,464)	(99,267)
Reclassifications within property, plant and equipment		2,426,578	32,746	1,058,096	122,895	178,952	350,930	16,763	(4,305,072)	(118,112)
Reclassifications (to)/from intangible assets		-	-	-	-	-	-	-	(192,220)	(192,220)
Depreciation expense	2(d)	(1,316,770)	-	(594,614)	(47,116)	(302,336)	(46,407)	(46,865)	-	(2,354,108)
Assets recognised for the first time		810	-	-	511	207	-	-	-	1,528
Net increase/(decrease) in asset revaluation reserve		3,863,818	458,263	1,795,348	46,137	247,422	33,162	96,930	923,277	7,464,357
Net revaluation increment/(decrement) recognised in net result		-	-	290,616	-	-	121,881	-	98,440	510,937
Asset transfer (to)/from equity		-	-	-	-	-	-	-	(47,351)	(47,351)
Transfer to local councils, NSW government agencies & other parties		-	-	(8,732)	-	-	(243,539)	-	(101,055)	(353,326)
Transfer from local councils		1,812	5	-	-	-	-	-	-	1,817
<b>Net carrying amount at the end of the year</b>		<b>79,186,625</b>	<b>2,553,290</b>	<b>37,448,389</b>	<b>426,232</b>	<b>1,974,723</b>	<b>2,142,131</b>	<b>2,153,002</b>	<b>18,288,295</b>	<b>144,172,687</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Infrastructure systems reconciliation (cont'd)**

<b>As at 30 June 2021</b>	<b>Notes</b>	<b>Roads \$'000</b>	<b>Land under roads and tracks \$'000</b>	<b>Bridges and Tunnels \$'000</b>	<b>Traffic signals network \$'000</b>	<b>Traffic controls network \$'000</b>	<b>Rail systems \$'000</b>	<b>Maritime infrastructure \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
Net carrying amount at the beginning of the year		69,969,206	2,029,154	26,447,306	277,691	958,525	2,021,678	1,234,491	23,580,739	126,518,790
Additions		204,706	-	1,631,939	-	68,077	-	-	6,963,038	8,867,760
Asset write-off		(333,503)	-	(13,731)	(2,229)	(4,796)	-	-	(23,340)	(377,599)
Reclassifications within property, plant and equipment		5,087,466	12,390	7,838,794	70,968	1,082,755	(141,280)	13,579	(14,229,512)	(264,840)
Reclassifications (to)/from intangible assets		-	-	-	-	-	-	-	7,751	7,751
Transfer (to)/from other assets and liabilities		-	-	-	-	-	-	-	(203,759)	(203,759)
Depreciation expense	2(d)	(1,285,031)	-	(560,281)	(43,206)	(275,761)	(45,191)	(46,567)	-	(2,256,037)
Assets recognised for the first time		487	6	-	-	-	-	-	-	493
Net increase in asset revaluation reserve		574,608	7,448	(125,290)	2,707	26,834	-	20,388	7,405	514,100
Net revaluation increment/(decrement) recognised in net result		-	18,404	(290,617)	-	-	(954)	-	-	(273,167)
Net increase in assets from administrative restructure	23(e)	-	-	-	-	-	-	868,416	6,124	874,540
Transfer to local councils, NSW government agencies & other parties		(5,868)	(5,952)	(840)	-	-	(25,300)	(2,074)	(764,275)	(804,309)
Transfer from local councils		-	-	300	-	-	-	-	5,731	6,031
Reversal of impairment losses		-	-	-	-	-	118,560	-	-	118,560
<b>Net carrying amount at the end of the year</b>		<b>74,212,071</b>	<b>2,061,450</b>	<b>34,927,580</b>	<b>305,931</b>	<b>1,855,634</b>	<b>1,927,513</b>	<b>2,088,233</b>	<b>15,349,902</b>	<b>132,728,314</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

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

### **Recognition and measurement**

#### **(i) Acquisition of property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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.

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 23).

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

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

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

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

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

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

#### **(iii) Capitalisation thresholds**

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

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

#### **(iv) Assets not able to be reliably measured**

Transport for NSW has minor cultural collection items such as prints, drawings and artefacts. These have no active market. Items considered immaterial have not been recognised in the Statement of financial position.

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

### Recognition and measurement (cont'd)

#### (v) 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 21-09). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

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

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 17 for further information regarding fair value.

Transport for NSW revalues each class of property, plant and equipment with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Refer to Note 17 for further information regarding fair value.

Comprehensive revaluations by external valuers are undertaken on a three year cycle for property assets, and on a five year cycle for infrastructure assets and specified plant and equipment, excluding Rolling stock and Rail infrastructure which are revalued on a rolling basis. Details of property, plant and equipment comprehensive revaluations are summarised as follows:

<b>Asset Category</b>	<b>Asset Class</b>	<b>Date of last comprehensive revaluation</b>
Land and buildings	Land	31 December 2021
	Buildings	31 December 2021
	Land acquired for future roadworks	31 December 2021
	Service concession assets - building	1 July 2019
Plant and equipment	Ferries	31 March 2020
	Buses	31 March 2022
	Rolling stock	31 March 2019/31 March 2020 for Newcastle Light Rail 31 March 2021 for CBD & South East Light Rail
	Service concession assets - equipment	1 July 2019

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

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

##### (v) Revaluation of property, plant and equipment (cont'd)

Asset Category	Asset Class	Date of last comprehensive revaluation
Infrastructure systems	Roads	31 March 2018
	Land under roads and tracks	31 March 2022
	Bridges and tunnels	31 March 2018
	Traffic signals network	31 March 2019
	Traffic controls network	31 March 2019
	Maritime assets	31 March 2020
	Rail infrastructure	31 March 2019/31 March 2020 for Newcastle Light Rail 31 March 2021 for CBD & South East Light Rail
	Service concession assets - Roads	1 July 2019
	Service concession assets – Bridges and tunnels	1 July 2019
	Service concession assets - Traffic Control	1 July 2019
	Service concession assets - Land Under Roads	31 March 2022

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

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

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

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

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

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

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

##### (v) Revaluation of property, plant and equipment (cont'd)

#### Depreciation of Plant and equipment

Asset	Measurement/Valuation Policy	Depreciation policy
Plant and equipment	Current replacement cost	Depreciated on the straight-line method over the estimated useful life between 2 and 60 years.
Buses	Optimised replacement cost	Depreciated on the diminishing value method over the estimated useful life between 20 and 25 years.
Rolling stock	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 25 and 30 years.
Ferries	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of 45 years.
Service concession assets - equipment	Current replacement cost	Depreciated on the straight-line method over the estimated useful life between 5 and 40 years

For assets measured at current replacement cost, the carrying amount is considered to approximate the fair value of these assets.

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

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

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

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2022

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

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

**(v) Revaluation of property, plant and equipment (cont'd)**

**Land and buildings**

<b>Asset</b>	<b>Measurement/Valuation policy</b>	<b>Depreciation policy</b>
Land and buildings	<p>Land and buildings in service are generally valued using the market approach and at current replacement cost (buildings).            Where such properties are rented externally they are valued at current market value.            Land and buildings in service are subject to comprehensive revaluation every three years by registered valuers. Desktop valuations are carried out in the two years in between to ensure that carrying amounts do not differ materially from fair value at reporting date.</p>	<p>Land is not a depreciable asset.             Buildings – Depreciated on the straight-line method over the estimated useful life of between 10 and 99 years.</p>
Land and Buildings Acquired for Future Roadworks (LAFRRW)	<p>LAFRRW comprises of untenanted land for road (ULR), public reserves, rental and surplus properties.            With the exception of public reserves, LAFRRW are initially valued at acquisition cost and progressively revalued to current market value over a three year cycle by registered valuers.            Desktop valuations are carried out in the two years in between the comprehensive revaluation to ensure that carrying amounts do not differ materially from fair value at reporting date.            Public reserves are initially valued at acquisition cost and revalued to the Urban Average Rateable Value per hectare within each Local Government Area (LGA) adjusted by an “open spaces ratio” (OSR).</p>	<p>No depreciation is charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.</p>
Leasehold improvements	Depreciated historical cost.	Amortised over the period of the lease, or the useful life of the leasehold improvement, whichever is shorter.
Service concession asset building	Current replacement cost	Depreciated on the straight-line method over the estimated useful life between 3 and 100 years.
Service concession asset – land	Current replacement cost	Land is not a depreciable asset

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

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

##### (v) Revaluation of property, plant and equipment (cont'd)

Individual LAFFRW parcels required for road construction are transferred to land under roads AUC when road construction begins. The date of transfer is the construction start date as detailed in the construction contract. At time of transfer, LAFFRW parcels are deemed to have no feasible alternative use and are revalued downwards to reflect the restriction in use. Included in the value of land and buildings is an amount of \$94.3 million (2021: \$63.5 million) for both land and buildings on Crown land. As Transport for NSW effectively controls this Crown land, it has been included in Transport for NSW's Statement of financial position. Should such Crown land be transferred or disposed of, associated buildings are written off in the financial year the transfer or disposal takes place.

#### Infrastructure systems

Asset	Measurement/Valuation policy	Depreciation policy
<b>Roads</b>	Current replacement cost	Depreciated over estimated useful life using the straight-line method.
Earthworks – not depreciated		- Indefinite
Earthworks – depreciated		- 50 years
Pavement wearing surface – asphalt		- 18 - 25 years
Pavement wearing surface – spray sealed		- 7 - 12 years
Pavement wearing surface – concrete		- 18 - 25 years
Pavement base and sub-base		- 81 - 108 years
Culverts & drainage		- 50 - 100 years
Safety barriers		- 40 - 80 years
Fences		- 40 years
Noise walls		- 100 years
Medians		- 50 years
Rest areas		- 10 - 20 years
Other assets (footway, vegetation, landscaping, kerbs and gutters, guide posts, pavement markings, signposting, retaining walls		- 20 - 100 years



**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2022

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

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

**(v) Revaluation of property, plant and equipment (cont'd)**

<b>Asset</b>	<b>Measurement/Valuation policy</b>	<b>Depreciation policy</b>
<b>Bridges and tunnels</b>  Timber structure and timber truss Concrete structures Steel structures Heritage bridges Bridge size culverts/tunnels	Current replacement cost	Depreciated over estimated useful life dependant on bridge type using the straight-line method:  <ul style="list-style-type: none"> <li>- 60-100 years</li> <li>- 100 years</li> <li>- 100 years</li> <li>- 60-100 years</li> <li>- 100 years</li> </ul>
<b>Traffic signals</b>  Lanterns Posts Loops Controller Civils	Current replacement cost	Depreciated over estimated useful life using the straight-line method.  <ul style="list-style-type: none"> <li>- 15 years</li> <li>- 30 years</li> <li>- 10 years</li> <li>- 15 years</li> <li>- 30 years</li> </ul>
<b>Traffic Control Network</b>  Enforcement systems Traffic monitoring units Weather stations Variable speed signs Variable message signs Tidal flow systems Over-speed detection systems Over-height detection systems Vehicle detection classification system Emergency warning systems Advanced warning systems Changeable message signs Weigh-in-motion systems Street lights Emergency phones School zone warning system Traffic management centre	Current replacement cost	Depreciated over estimated useful life dependant on asset type using the straight-line method  <ul style="list-style-type: none"> <li>- 10 - 40 years</li> <li>- 15 years</li> <li>- 15 - 40 years</li> <li>- 15 - 40 years</li> <li>- 15 - 40 years</li> <li>- 20 years</li> <li>- 15 - 40 years</li> <li>- 15 years</li> <li>- 15 - 40 years</li> <li>- 15 - 40 years</li> <li>- 15 - 40 years</li> <li>- 15 - 30 years</li> <li>- 15 - 30 years</li> <li>- 15 - 40 years</li> <li>- 5 - 30 years</li> </ul>

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2022

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

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

**(v) Revaluation of property, plant and equipment (cont'd)**

<b>Asset</b>	<b>Measurement/Valuation policy</b>	<b>Depreciation policy</b>
<b>Land under roads, tracks and within road reserves</b>	The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land). The urban Average Rateable Value by LGA is derived from data provided by the Valuer-General.	No depreciation applied as land does not have limited useful life.
<b>Rail systems</b>	Current replacement cost	Depreciated on the straight-line method over estimated useful life of between 15 and 100 years.
<b>Maritime infrastructure</b>		
Wharves and jetties	Current replacement cost	Depreciated on the straight-line method over estimated useful life of between 2 and 50 years.
Seawalls, training walls and revetments	Current replacement cost	Depreciated on the straight-line method over estimated useful life between 9 and 80 years.
Dredging assets - not depreciated	Current replacement cost	Indefinite lives
Dredging asset depreciated		Depreciated on the straight-line method over estimated useful life of 24 years
Maritime roads, accessways and slipways	Current replacement cost	Depreciated on the straight-line method over estimated useful life between 40 years.
Aids to navigation	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 10 and 30 years.
Moorings and wetlands	Income approach Current replacement cost	Indefinite lives Depreciated on the straight-line method over the estimated useful life of between 9 and 50 years.
Other maritime assets	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 1 and 49 years.
Service concession assets - roads	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 5 and 100 years.

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

### Recognition and measurement (cont'd)

#### (v) Revaluation of property, plant and equipment (cont'd)

Asset	Measurement/Valuation policy	Depreciation policy
Service concession assets - bridges and tunnels	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 3 and 100 years.
Service concession assets - traffic control	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 3 and 40 years.
Service concession assets - land under roads	The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land). The urban Average Rateable Value by LGA is derived from data provided by the Valuer-General.	No depreciation applied as land does not have limited useful life.
Service concession assets – rail systems	Current replacement cost	Depreciated on the straight-line method over estimated useful life of between 8 and 100 years.

Assets under construction are presented separately under land and buildings, plant and equipment, and infrastructure assets categories. The assets under construction relate to and form part of the respective asset classes within those categories. Assets under construction of long term infrastructure projects are valued at current replacement cost using relevant indices and the remaining are measured at cost as a surrogate for fair value.

### Valuation methodologies

The methods and significant assumptions applied in estimating these asset class fair values include:

#### Traffic Signal and Traffic Control Networks

The approach involved the following steps:

- Obtaining asset inventory data for asset types from various sources of databases.
- Applying unit rates for technical and structural components where possible to determine the estimated replacement cost for each asset type.
- Estimating normal useful lives and remaining useful lives. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

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

##### (v) Revaluation of property, plant and equipment (cont'd)

#### Roads

*Primary Approach* – applied to pavements (wearing surface and base/sub-base), culverts, earthworks, safety barriers and fencing, noise walls, medians and rest areas. This approach involved the following steps:

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

*Secondary Approach* – applied to “other” corridor assets categories. This approach involved the following steps:

- Obtaining percentage breakdown of components from Transport for NSW’s Project Management Office (PMO)
- Converting PMO percentages to “known assets” percentages
- Estimating replacement costs based on replacement cost of “known assets”
- Estimating normal useful lives
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

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

#### *Earthworks assumptions*

- Sub-categories for earthworks have been identified by ‘Region’, ‘Road rank’, and ‘Terrain’
- Transport for NSW’s PMO unit rates were only available by region and therefore adjusted to include road rank and terrain, using assumed typical earthwork depths, to capture the cost variations for all stereotypes.

#### *Pavement assumptions*

- Base/sub-base component ages have been based on the newer of the road construction or rehabilitation dates
- The effective age and remaining useful lives of base/sub-base assets to determine their fair value are estimated based on the asset condition data derived by the Transport for NSW pavement engineers
- Wearing surface asset ages have been based on the newer of construction, resurfacing or rehabilitation dates
- Remaining life extensions of 2 years have been applied to wearing surface components past their useful lives. These assumptions are based on Transport for NSW’s projected pavement rebuilding/resurfacing estimates
- Sub-categories for Pavements have been identified by ‘Pavement category’, ‘Region’, and ‘Road rank’.

#### *Culvert and Drainage assumptions*

- Ages for Culverts have been calculated using the road construction date
- A remaining life extension of 5 years has been applied to all Culverts and Drainage that were past their useful life
- Stereotypes for Culverts have been identified as ‘Culvert type’, ‘Region’, and ‘Pipe diameter / box width’
- Culverts with high risk rating (ARL 1 and 2) have been depreciated on a straight line basis over an effective remaining useful life of 10 years in accordance with Transport for NSW’s current Corridor Asset Management Plan
- Longitudinal Drainage assumed to be located in urban terrains in Sydney region only (Hunter region captured in Culverts inventory), and applied to 50 percent of segment lengths only
- 375mm pipe culvert unit rate was deemed most appropriate for Longitudinal Drainage
- Subsoil Drainage primary types include edge and trench drains and only concrete pavement types assumed to include edge drains. Unit rates (per m) were based on 100mm perforated plastic piping
- Major culverts over 6 metres are classified as bridges and included in the Bridge Asset Class.

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

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

#### **(v) Revaluation of property, plant and equipment (cont'd)**

##### *Safety Barrier and Fence assumptions*

- Sub-categories have been identified by 'Barrier type', 'Start and end terminal type' and 'Region'
- Age calculations for depreciation were determined using the barrier construction date, if available, or the road segment construction date as a proxy
- A remaining life extension of 5 years has been applied to all safety barriers and fences that were past their useful life.

##### *Rest Areas and Medians assumptions*

- The ages of the assets were calculated based on the segment construction date
- A remaining life extension of 5 years has been applied to the assets that were past their useful life.

##### *Noise Walls assumptions*

- Age calculations for depreciation were determined using the noise wall construction date, if available, or the road segment construction date as a proxy
- A remaining life extension of 5 years has been applied to all noise walls that were past their useful life.

### **Bridges and tunnels**

The approach involved the following steps:

- Obtaining bridge asset inventory data from the Bridge Information System (BIS)
- Applying unit rates to the inventory listing based on the modern equivalent capitalisation type
- Estimating replacement cost based on the bridge deck area
- Estimating normal useful lives and remaining useful lives based on element condition data
- Applying depreciation (straight line) based on age/life analysis to estimate fair value. The element condition data collected by Transport for NSW bridge maintenance planners was used to assess the effective age and effective remaining lives of the bridge assets.

### **Service concession assets toll roads**

The approach involved the following steps:

- Obtaining asset inventory information from private operators supplemented by as-built drawings to form the basis of valuation analysis for all service concession asset (SCA) toll roads asset classes – roads, bridges, traffic control, and building and equipment
- Applying unit rates to the inventory listing based on the modern equivalent capitalisation type
- Optimising the replacement cost for assets to adjust for over-design, overcapacity, redundant components and operating and maintenance costs
- Estimating normal useful lives and remaining useful lives based on type of asset and construction years
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

Due to the specialised nature of service concession asset toll road arrangements and the fact that toll road assets are not sold, the fair value for these type of arrangements cannot be determined with reference to observable prices in an active market or recent market transactions on arm's length terms. Instead, the fair value has been determined using the valuation techniques outlined above.

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

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

#### **(v) Revaluation of property, plant and equipment (cont'd)**

##### **Maritime infrastructure assets**

The approach involved the following steps:

- Obtaining asset inventory data for asset types from various sources of databases
- Applying average unit rates for assets and asset components where possible to determine the estimated replacement cost for each asset type
- Estimating normal useful lives and remaining useful lives based on condition. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

##### **Rail infrastructure**

Rail systems assets were identified as specialised assets and have therefore been valued using the cost approach.

Due to the specialised nature of transport assets and the lack of credible comparable market evidence, the valuation is predominantly undertaken using the Current Replacement Cost method, taking into account relevant indices and high-level costing data at the category level for other light rail where assets are comparable.

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

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and current replacement cost, where current replacement cost is also fair value.

Transport for NSW assesses, during each reporting date, whether there is an indication that an asset may be impaired. Where such an indication exists, an estimate of the recoverable amount is made. An impairment loss is recognised in the Statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount unless the asset has been revalued in which case the impairment loss is treated as a revaluation decrease. When the impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

### Recognition and measurement (cont'd)

#### (vii) Major inspection costs

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

#### (viii) Restoration costs

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

#### (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) Right of use assets acquired by lessees

AASB 16 *Leases* requires a lessee to recognise a right of use asset for most leases. Transport for NSW has elected to present right of use assets separately in the Statement of financial position.

Further information on leases is contained at Note 15.

#### (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.

#### (xii) Service concession assets

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

Based on Transport for NSW's assessment, the following arrangements fall in the scope of AASB 1059:

<b>Service Concession Arrangement - Sydney Light Rail</b>	
Description	Sydney Light Rail service concession arrangement.
Name & description of the service concession arrangement	Transport for NSW has a contract with ALTRAC Light Rail Partnership relating to the Sydney Light Rail project.
Period of the arrangement	The period of the arrangement is from 17 December 2014 to 28 March 2036.
Terms of the arrangement	The arrangement involves ALTRAC Light Rail Partnership (the operator) being responsible for the design, construction, operations and maintenance of Sydney Light Rail.

**Transport for NSW**  
**Notes to the financial statements**  
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**14. Property, plant and equipment (cont'd)**

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

<b>Service Concession Arrangement - Sydney Light Rail (cont'd)</b>	
Rights and obligations	Transport for NSW regulates the light rail services to be provided to the general public. The arrangement represents a service concession arrangement where upon construction completion and operational commencement, the operator is required to deliver light rail service. In return, Transport for NSW pays consideration for the delivery phase across the project term (i.e. design and construction), and payments for operation and maintenance. The operator is required to hand back the significant residual interest of the assets in the project at the end of the project term.
Changes in arrangements that occurred during the 2021 financial year	<p><u>Change from fixed interest rate to floating interest rate</u></p> <p>In April 2021, the interest rate component within the capital service payment cash flows changed from a fixed interest rate to floating interest rate. The change was agreed under the original contractual terms of the PPP contract with the operator and consequently, it does not represent a debt modification under AASB 9 <i>Financial Instruments</i>. As a result of this change, a new effective interest rate was calculated and applied to the Sydney Light Rail service concession financial liability using the new estimated future contractual cash flows.</p> <p><u>Conditional Debt Pay Down (CDPD) and Refinancing</u></p> <p>On 23 June 2021, Transport for NSW entered into an amended contract with the operator to bring forward the CDPD to 1 July 2021, to align with the operator's first scheduled refinancing due to take place on 2 July 2021. The CDPD relates to a provision in the original PPP contract whereby Transport for NSW repays 50 percent of the operator outstanding debt upon satisfaction of the various conditions under the contract. The CDPD was initially scheduled to occur in July 2021.</p> <p>The change in CDPD timing and subsequent refinancing do not represent a substantial modification under AASB 9 <i>Financial Instruments</i>. The gross carrying value of the financial liability was recalculated to reflect the present value of the new estimated future contractual cash flows, discounted at the original effective interest rate and a corresponding gain was recorded in the income statement within Note 3 (i) Other Revenue.</p>
Changes in arrangements that occurred during the 2022 financial year	Nil



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

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

<b>Service Concession Arrangement – Toll Roads</b>	
Description	Toll Road service concession arrangements
Name & description of the service concession arrangements	<p>Transport for NSW have contracts with various private parties relating to the design, construction, operation and maintenance of various motorways. These motorways are as below:</p> <p>Eastern Distributor  Cross City Tunnel  Lane Cove Tunnel  Westlink M7 Motorway  M5 South-West Motorway  M2 Motorway  WestConnex including</p> <ul style="list-style-type: none"> <li>• Stage 1 (M4 Widening and New M4)</li> <li>• Stage 2 (M8 Motorway and M5 East)</li> <li>• Stage 3A (M4-M5 Link)</li> </ul> <p>NorthConnex  Sydney Harbour Tunnel</p>
Period of the arrangements	<p>The period of the arrangements are as below for each motorway:</p> <p>Eastern Distributor – July 2000 to July 2048  Cross City Tunnel – August 2005 to December 2035  Lane Cove Tunnel – March 2007 to June 2048  Westlink M7 Motorway – December 2005 to June 2048  M5 South-West Motorway – August 1992 to December 2026  M2 Motorway – May 1997 to June 2048  WestConnex including</p> <ul style="list-style-type: none"> <li>• Stage 1 (M4 Widening and New M4) – July 2017 to December 2060</li> <li>• Stage 2 (M8 Motorway and M5 East) – July 2020 to December 2060</li> <li>• Stage 3A (M4-M5 Link) – expected opening date 2023 to December 2060</li> </ul> <p>NorthConnex – October 2020 to June 2048  Sydney Harbour Tunnel – August 1992 to August 2022</p>

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

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

<b>Service Concession Arrangement – Toll Roads (cont'd)</b>	
Description	Toll Road service concession arrangements
Terms of the arrangements	<p>The terms of the arrangements are as below for each motorway:</p> <p><b>Eastern Distributor</b></p> <p>In consideration of the former RMS (Roads Maritime Services) granting to the concession holder the right to levy and retain tolls on the Eastern Distributor, the concession holder is required to pay concession fees in accordance with the agreement. From the date of Financial Close, which occurred on 18 August 1997, the concession holder has paid \$375.0 million by way of promissory notes (being \$15.0 million on financial close and \$15.0 million on each anniversary thereon). A further \$2.2 million was received in cash six months after Financial Close and \$8.0 million in cash on the third anniversary of Financial Close.</p> <p>Under the Agreement, the concession holder must not present any of the promissory notes for payment until the earlier of the end of the term of agreement of 24 July 2048 or the achievement of the required rate of return. As at 30 June 2022, the promissory notes have a value of \$30.7 million (2021: \$27.8 million) Upon the end of the Term the operator must surrender to Transport for NSW the Eastern Distributor and the Ancillary Works in a condition which is consistent with the operator's obligation to maintain and repair them in the Project Deed.</p> <p><b>Cross City Tunnel</b></p> <p>Under the terms of the agreement, an external party will operate the motorway until 18 December 2035, after which the motorway will be transferred back to Transport for NSW.</p> <p>Reimbursement of certain development costs was from the operator in the form of an upfront cash payment in August 2005.</p> <p><b>Lane Cove Tunnel</b></p> <p>The construction cost was \$1.1 billion, with the cost being met by the private sector. On 31 January 2015, the concession term on the Lane Cove Tunnel was conditionally extended from 9 January 2037 to 30 June 2048. Under the terms of the agreement, the concession holder will operate the Lane Cove Tunnel until 30 June 2048, after which the motorway will be transferred back to Transport for NSW.</p> <p>Reimbursement of certain development costs were received from the operator in the form of an upfront cash payment in April 2007. The amount of this payment was \$79.3 million.</p> <p><b>Westlink M7 Motorway</b></p> <p>As a result of the NSW government entering into agreement with the concession holder to build NorthConnex (refer below), the concession period on the Westlink M7 motorway has been extended from 14 February 2037 to 30 June 2048. Under the terms of the agreement, the concession holder will operate Westlink M7 until 30 June 2048, after which the motorway will be transferred back to Transport for NSW.</p> <p>Reimbursement of certain development costs were received from the operator in the form of an upfront cash payment in January 2006. The amount of this payment was \$193.8 million and used in determining the GORTO liability.</p> <p>At the time of the modification to the contract for the NorthConnex, Transport for NSW was expected to receive a further \$358.8 million (nominal value) in concession fees over a period from 30 September 2015 to 31 March 2037. The present value of this concession fee receivable was used in determining the GORTO liability</p> <p>The concession receivable was subsequently monetised in October 2015 in which the former RMS received \$174.2 million proceeds.</p>

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

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

<b>Service Concession Arrangement – Toll Roads (cont'd)</b>	
Description	Toll Road service concession arrangements
Terms of the arrangements (cont'd)	<p><b>M5 South-West Motorway</b></p> <p>The initial concession period for the M5 Motorway was for the period 14 August 1992 to 14 August 2022. The initial period was subsequently extended to 22 August 2023, in consideration of the concession holder undertaking construction of an additional interchange at Moorebank (M5 Improvements). M5 widening works were completed in December 2014, extending the concession period by a further 3 years and 3 months to December 2026.</p> <p>The M5 South-West Motorway Call Option Deed provides that if, after at least 25 years from the M5 Western Link commencement date of 26 June 1994, Transport for NSW determines that the expected financial return has been achieved, Transport for NSW has the right to purchase either the business from the concession holder or the shares in the concession holder. The exercise price under the M5 Call Option Deed will be based on open market valuation of the business or shares.</p> <p>The project deed was amended in 2018 to include east facing ramps on the M5 motorway intersecting Belmore Road as part of the service concession. These ramps were constructed by Transport for NSW but will be operated and maintained by the concession holder. The ramps were opened to traffic in February 2019.</p> <p>Upon the end of the Term the operator must surrender the Tollroad to Transport for NSW in such condition as is consistent with the Company's obligations to maintain and repair in accordance with the Project Deed and in particular the SWDC and the operation, maintenance and repair manual.</p> <p><b>M2 Motorway</b></p> <p>Under terms of the initial Project Deed, ownership of the M2 Motorway will revert to Transport for NSW 45 years from the M2 commencement date of 26 May 1997. The M2 Motorway was upgraded in 2013, at an initial construction cost of \$550.0 million. This further extended the service concession period by a further four years.</p> <p>An agreement was reached on 31 January 2015 for integration works on the M2 Motorway to connect it with the new NorthConnex Motorway. These works were completed in May 2018 and extended the concession term by a further two years to 30 June 2048, resulting in the term of agreement to 51 years. Under the revised concession terms, the agreement now ends on the 51st anniversary of the M2 commencement date or sooner if a certain rate of return is achieved, subject to the provisions of the M2 Motorway Project Deed.</p> <p>Transport for NSW leases land, detailed in the M2 Motorway Project Deed, for the term of the Agreement. Until the project achieves the required rate of return, rent is payable in cash or by promissory note at the lessee's discretion. On achievement of the required rate, the rent is payable in cash. Under the terms of the lease, Transport for NSW must not present any of the promissory notes for payment until the earlier of the end of the term of agreement or the achievement of the required rate of return.</p> <p>No payments have been made for rents on the leases in 2022 (2021: no payments made). Transport for NSW, as at 30 June 2022, has received promissory notes for rent on the above leases totalling \$253.8 million (2021: \$240.8 million). The value of these promissory notes as at 30 June 2022 is \$51.7 million (2021: \$47.0 million).</p> <p><b>WestConnex Stage 1</b></p> <p>The Project Deed stipulates that the concession holder will operate the motorway until 2060, after which the motorway will be transferred back to Transport for NSW at no cost. Up until the end of the concession period, Transport for NSW will grant the concession holder the right to levy and retain tolls on the motorway. Under the Project Deed, Transport for NSW is entitled to a share of tolling revenue above the base revenue threshold.</p>

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

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

<b>Service Concession Arrangement – Toll Roads (cont'd)</b>	
Description	Toll Road service concession arrangements
Terms of the arrangements (cont'd)	<p><b>WestConnex Stage 2</b></p> <p>As part of the arrangement, Transport for NSW granted Motorway Stratum Land Leases over New M5 Main Works and M5 East Lease when Stage 2 opened to traffic on 5 July 2020, and M5 West Lease from December 2026 to the termination date of 31 December 2060. Under the Stratum Land Lease, Transport for NSW is entitled to a share of tolling revenue above the base revenue threshold</p> <p><b>WestConnex Stage 3</b></p> <p>The Project Deed stipulates that the concession holder will operate the M4-M5 Link until 31 December 2060, after which the motorway will be transferred to Transport for NSW at no cost. Up until the end of the concession period, Transport for NSW will grant the concession holder the right to levy and retain tolls on the motorway.</p> <p><b>NorthConnex</b></p> <p>Under the terms of the agreement, Transport for NSW will contribute \$996.7 million in cash towards the construction, construction management and property acquisition costs, and the balance will be financed by the concession holder.</p> <p>NorthConnex was opened to traffic on 31 October 2020. The project deed stipulates that the concession holder will operate the motorway until 30 June 2048, after which the motorway will be transferred back to Transport for NSW. Up until the end of the concession period, Transport for NSW will grant the concession holder the right to levy and retain tolls on the motorway.</p> <p>In consideration for building the NorthConnex motorway, the NorthConnex agreement also provides for enhanced concession terms to the operator in the form of an extension of the concession terms on the Westlink M7 motorway, Lane Cove Tunnel and M2 Motorway to 30 June 2048.</p> <p><b>Sydney Harbour Tunnel</b></p> <p>In 1987, in consideration of Sydney Harbour Tunnel Company (SHTC) agreeing to design, construct and operate the tunnel for 30 years, Transport for NSW agreed to make payments under the Ensured Revenue Stream agreement, on the terms set out in the <i>Sydney Harbour Tunnel (Private Joint Venture) Act 1987</i>, to enable SHTC to meet financial obligations in connection with the operation of the tunnel and the payment of principal and interest upon moneys borrowed by it for the design, construction and operation of the tunnel, and make interest free loans in the total amount of \$222.6 million on the terms set out in the <i>Sydney Harbour Tunnel (Private Joint Venture) Act 1987</i> to enable SHTC to meet its financial obligations in connection with the design and construction of the tunnel.</p> <p>Those loans are repayable following the end of the concession on 31 August 2022 when the tunnel reverts to State ownership.</p>
Rights and obligations	<p>The Operator must keep all traffic lanes of the Motorway open to the public for the safe, efficient and continuous passage of vehicles.</p> <p>The operator must not levy or impose any charge, toll or fee for or in connection with the use of the motorway other than in accordance with the Toll Calculation Schedule specified in the Deed.</p> <p>Upon the end of the Term the operator must yield up to Transport for NSW, where applicable, the tunnels, land, motorways, motorway stratum and/or ancillary works in a fully functional condition which complies with, where applicable, the Scope of Works, Technical Criteria, the O&amp;M Manuals and/or the Project Deeds.</p>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

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

<b>Service Concession Arrangement – Toll Roads (cont'd)</b>	
Description	Toll Road service concession arrangements
Changes in arrangements that occurred during the 2021 financial year	M5 East assets owned by Transport for NSW transferred to the M8's operator upon the M8 Motorway being open to traffic in July 2021. These assets now form part of the Service Concession Asset.
Changes in arrangements that occurred during the 2022 financial year	Nil

<b>Service Concession Arrangement – B-Line car parks</b>	
Description	B-Line car park service concession arrangements
Name & description of the service concession arrangements	<p>Transport for NSW has entered into arrangements with Northern Beaches Council for the use of car spaces for public commuter car parking at B-Line car parks in Dee Why, Mona Vale, Narrabeen and Warriewood.</p> <p>Transport for NSW has entered into arrangements with Health Administration Corporation for the use of car spaces for public commuter car parking at B-Line car park at Brookvale.</p>
Period of the arrangements	30 to 50 years
Terms of the arrangements	The operators are responsible for the provision public commuter car parking, and maintenance of the car parks, while Transport for NSW will bear a pro rata share of the operator's outgoings in connection with ownership, control, operation, management and maintenance of the premises.
Rights and obligations	The operators can terminate the arrangement, but only in the event of a material breach by Transport for NSW or if monies are outstanding. Transport for NSW has the right to give 3 months' notice to terminate the arrangement and thereafter vacate after removing transport-related equipment and signage. At the end of the term, Transport for NSW can continue to occupy the car park, subject to prior written consent. Transport for NSW can transfer or sublet the arrangement, including to another agency.
Changes in arrangements that occurred during the 2021 financial year	Nil
Changes in arrangements that occurred during the 2022 financial year	Nil

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

**Service concession assets – property, plant and equipment**

The carrying amount of service concession assets included within property, plant and equipment are set out below. The service concession assets are in relation to the arrangements detailed above.

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>As at 30 June 2022</b>				
Net carrying amount	320,055	698,328	29,996,322	31,014,705
<b>As at 30 June 2021</b>				
Net carrying amount	328,257	672,621	28,440,170	29,441,048

The carrying amount for each class of arrangement as at reporting dates are as below:

	Toll Roads \$'000	Sydney Light Rail \$'000	B-Line Car Parks \$'000	Total service concession assets \$'000
<b>As at 30 June 2022</b>				
Net carrying amount	28,183,541	2,793,122	38,042	31,014,705
<b>As at 30 June 2021</b>				
Net carrying amount	26,749,273	2,652,754	39,021	29,441,048

**Initial recognition**

For arrangements within the scope of AASB 1059, the entity recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value* Measurement principles.

Where the asset is an existing asset of the entity, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

**Subsequent to initial recognition**

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment* and AASB 136 *Impairment of Assets*.

**At the end of the arrangement**

At the end of the service concession arrangement:

- Transport for NSW accounts for the asset in accordance with other accounting standards, with the entity reclassifying the asset based on its nature or function
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to any of the appropriate approach under AASB 13
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 116.

## 15. Leases

### (a) Transport for NSW as a lessee

AASB 16 *Leases* requires a lessee to recognise a right of use asset and a corresponding lease liability for most leases.

Transport for NSW leases various properties, land, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 73 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Transport for NSW does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$5.3 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a net decrease in recognised lease liabilities against right of use assets of \$2.3 million. This figure excludes the impact of de-recognition of leases with Property NSW due to changes in the occupancy arrangement.

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

### **Property NSW occupancy agreement change for the financial year ended 30 June 2022**

During the financial year ended 30 June 2022, Transport for NSW has accepted the changes in the office accommodation arrangements with Property NSW (PNSW). The main change is the introduction of the “substitution right” clause for PNSW to relocate Transport for NSW during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, these agreements are no longer accounted for as a lease within the scope of AASB 16. The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in Other gains/(losses) (refer to Note 5). From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

Transport for NSW continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as Transport for NSW receives the economic benefits via using the fit-out or expected compensation from PNSW upon relocation. The incentives received prior to 30 June 2022 apply to the remaining occupancy period. Therefore, the accounting treatment for the make-good provision and fit-out costs in relation to the relevant accommodation remains unchanged. A liability in relation to the amortised balance of incentives received has been recognised as a liability (refer to Note 22) as at 30 June 2022 and will be amortised during the remaining occupancy period.

**Transport for NSW**  
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**15. Leases (cont'd)**

**(a) Transport for NSW as a lessee (cont'd)**

**Right of use assets under leases**

The following table presents the movement in right of use assets during the year. No right of use assets meet the definition of investment property.

<b>As at 30 June 2022</b>	<b>Notes</b>	<b>Land and buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Total \$'000</b>
Balance at the beginning of the year		687,988	849,737	1,537,725
Disposals		(16,511)	(106)	(16,617)
Additions		111,787	138,822	250,609
Re-measurement of leases		(2,034)	(236)	(2,270)
Depreciation expense	2(d)	(74,470)	(134,511)	(208,981)
Derecognition of right of use asset with Property NSW	5	(654,656)	-	(654,656)
<b>Balance at the end of the year</b>		<b>52,104</b>	<b>853,706</b>	<b>905,810</b>

<b>As at 30 June 2021</b>	<b>Notes</b>	<b>Land and buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Total \$'000</b>
Balance at the beginning of the year		758,923	854,416	1,613,339
Disposals		(48)	(1,538)	(1,586)
Additions		49,579	127,099	176,678
Impairment reversals/(losses)	5	(6,319)	-	(6,319)
Re-measurement of leases		(37,700)	786	(36,914)
Depreciation expense	2(d)	(76,447)	(131,026)	(207,473)
<b>Balance at the end of the year</b>		<b>687,988</b>	<b>849,737</b>	<b>1,537,725</b>

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



**Transport for NSW**  
**Notes to the financial statements**  
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**15. Leases (cont'd)**

**(a) Transport for NSW as a lessee (cont'd)**

**Lease liabilities**

The following table presents liabilities under leases.

	Notes	2022 \$'000	2021 \$'000
Balance at the beginning of the year		1,715,406	1,864,201
Additions		250,603	171,693
Payments		(310,323)	(345,863)
Interest expenses		65,003	67,100
Re-measurement of leases		(27,769)	(41,725)
Derecognition of lease liabilities with Property NSW	5	(756,363)	-
<b>Balance at the end of the year</b>		<b>936,557</b>	<b>1,715,406</b>

Transport for NSW had total cash outflows for leases of \$310.3 million (2021: \$345.9 million).

The following amounts were recognised in the Statement of comprehensive income in respect to leases where Transport for NSW is the lessee:

	Notes	2022 \$'000	2021 \$'000
Depreciation expense of right of use assets		208,981	207,473
Interest expense on lease liabilities	2(f)	65,003	67,100
Expense relating to short-term leases		399	1,852
Expense relating to leases of low-value assets		667	2,818
Gain arising from derecognition right of use assets and lease liabilities with Property NSW	5	(93,553)	-
<b>Total amount recognised in the Statement of comprehensive income</b>		<b>181,497</b>	<b>279,243</b>

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

### **(a) Transport for NSW as a lessee (cont'd)**

#### **Leases at significantly below-market terms and conditions principally to enable Transport for NSW to further its objectives**

In 2020-21, Transport for NSW entered into a lease with Infrastructure NSW to accommodate amenities and infrastructure required to operate the Barangaroo Ferry Hub. The leased premises must only be used for this purpose. The lease contract specifies a lease payment of \$1. This lease accounts for a small portion of assets owned by Transport for NSW for similar purposes. Therefore, it does not have a significant impact on the Transport for NSW's operations.

The initial and subsequent measurement of right of use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the entity to further its objectives is same as normal right of use assets. They are measured at cost, subject to impairment.

#### **Recognition and measurement**

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

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

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

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

Right of use assets are depreciated on a straight-line basis, apart from buses which are depreciated on a diminishing value method. Leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 1 to 73 years
- Plant and equipment 1 to 10 years.

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

## 15. Leases (cont'd)

### (a) Transport for NSW as a lessee (cont'd)

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

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

#### Impairment losses for right of use assets

Transport for NSW did not recognise any impairment losses for right of use assets during the 2022 financial year (2021: \$6.3 million). Comparative impairment losses for right of use assets are included in Note 5 Other gains/(losses) within the Statement of comprehensive income. The valuation technique used in the fair value measurement is classified as level 3 according to the fair value hierarchy within AASB 13 *Fair Value Measurement*.

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

<b>Asset description</b>	<b>Valuation technique</b>	<b>Key assumptions</b>	<b>Fair value hierarchy of fair value less cost of disposal assessment</b>
Right of use asset – land and buildings	The right of use asset is valued at the present value of future lease payments. Future lease payments include the fixed lease payment less any lease incentives receivable, and variable payments based off an index or rate. This is discounted by the State's increment borrowing rate. These rates are calculated by NSW Treasury.	<ul style="list-style-type: none"> <li>- Right of use assets are stated at fair value</li> <li>- Cost of disposals is immaterial</li> <li>- The rent profile (fixed percentage, market rent review, consumer price index (CPI) or combination) at the date represents future market rent forecasts.</li> </ul>	Level 3

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

### 15. Leases (cont'd)

#### (a) Transport for NSW as a lessee (cont'd)

##### Impairment losses for right of use assets (cont'd)

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

Recoverable amount	Land and buildings	Total	Land and buildings	Total
	2022	2022	2021	2021
	\$'000	\$'000	\$'000	\$'000
<b>Fair value less costs of disposal</b>				
Level 1	-	-	-	-
Level 2	-	-	-	-
Level 3	-	-	687,988	687,988
<b>Total fair value</b>	<b>-</b>	<b>-</b>	<b>687,988</b>	<b>687,988</b>

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

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

##### Lease liabilities

At the commencement date of the lease, Transport for NSW recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include

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

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

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

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

### **(a) Transport for NSW as a lessee (cont'd)**

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

Transport for NSW's lease liabilities are included in borrowings.

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

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

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

### 15. Leases (cont'd)

#### (b) Entity as a lessor

Transport for NSW holds properties that are leased to tenants under finance leases and operating leases with rental payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

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

#### Lessor for operating lease

Future minimum rental receivable (undiscounted) under non-cancellable operating leases are as follows:

	2022 \$ '000	2021 \$ '000
Within one year	55,398	59,083
One to two years	49,549	52,466
Two to three years	44,253	47,535
Three to four years	40,051	40,465
Four to five years	30,301	32,024
Later than five years	317,525	432,478
<b>Total (including GST)</b>	<b>537,077</b>	<b>664,051</b>

The minimum rental receivable detailed above include GST amount of \$44.7 million (2021: \$54.6 million) that are expected to be payable to the Australian Taxation Office (ATO).

#### Recognition and measurement

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

At the lease commencement date, the entity recognises a receivable for assets held under a finance lease in its statement of financial position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease Initial direct costs.

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

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of comprehensive income due to its operating nature

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**16. Intangible assets**

	<b>Computer systems \$'000</b>	<b>Computer systems work in progress \$'000</b>	<b>Biodiversity credits \$'000</b>	<b>Easements and other access rights \$'000</b>	<b>Total Intangibles \$'000</b>
<b>As at 30 June 2022</b>					
Cost (gross carrying amount)	1,373,943	616,454	57,803	58,816	2,107,016
Accumulated amortisation and impairment	(902,281)	-	-	(16,996)	(919,277)
<b>Net carrying amount</b>	<b>471,662</b>	<b>616,454</b>	<b>57,803</b>	<b>41,820</b>	<b>1,187,739</b>
	<b>Computer systems \$'000</b>	<b>Computer systems work in progress \$'000</b>	<b>Biodiversity credits \$'000</b>	<b>Easements and other access rights \$'000</b>	<b>Total Intangibles \$'000</b>
<b>As at 30 June 2021</b>					
Cost (gross carrying amount)	1,146,557	422,806	67,043	58,816	1,695,222
Accumulated amortisation and impairment	(733,591)	-	-	(13,837)	(747,428)
<b>Net carrying amount</b>	<b>412,966</b>	<b>422,806</b>	<b>67,043</b>	<b>44,979</b>	<b>947,794</b>

**Transport for NSW**  
**Notes to the financial statements**  
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**16. Intangible assets (cont'd)**

		Computer systems	Computer systems work in progress	Biodiversity credits	Easements and other access rights	Total Intangibles
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2022</b>						
Net carrying amount at the beginning of the year		412,966	422,806	67,043	44,979	947,794
Additions		-	227,960	8,444	-	236,404
Disposals	4	(3,501)	-	-	-	(3,501)
Reclassifications (to)/from property, plant and equipment	14	73,723	132,977	(9,254)	-	197,446
Amortisation expense	2(d)	(174,699)	-	-	(3,159)	(177,858)
Retirements		-	-	(8,430)	-	(8,430)
Asset write off	4	(4,116)	-	-	-	(4,116)
Reclassification between intangible classes		167,289	(167,289)	-	-	-
<b>Net carrying amount at the end of the year</b>		<b>471,662</b>	<b>616,454</b>	<b>57,803</b>	<b>41,820</b>	<b>1,187,739</b>
	Notes	Computer systems	Computer systems work in progress	Biodiversity credits	Easements and other access rights	Total Intangibles
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2021</b>						
Net carrying amount at the beginning of the year		455,194	438,873	68,648	48,139	1,010,854
Additions		1,772	208,743	2,952	-	213,467
Disposals	4	(573)	-	-	-	(573)
Reclassifications (to)/from property, plant and equipment	14	29,521	(128,456)	-	-	(98,935)
Amortisation expense	2(d)	(169,302)	-	-	(3,160)	(172,462)
Retirements		-	-	(4,557)	-	(4,557)
Reclassification between intangible classes		96,354	(96,354)	-	-	-
<b>Net carrying amount at the end of the year</b>		<b>412,966</b>	<b>422,806</b>	<b>67,043</b>	<b>44,979</b>	<b>947,794</b>

The net carrying amount of service concession assets included in intangible assets is \$41.8 million (2021: \$45.0 million). This balance all relates to the Sydney Light Rail service concession arrangement. Refer to Note 14 for further details on service concession arrangements.



## 16. Intangible assets (cont'd)

### Recognition and measurement

#### Non-service concession arrangements

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

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met in accordance with AASB 138 *Intangible Assets*.

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

<b>Asset</b>	<b>Valuation policy</b>	<b>Amortisation policy</b>
Information technology system	Depreciated historical cost	Amortised using the straight-line method over the estimated useful life of between 2 and 18 years.
Biodiversity credits	Cost less accumulated impairment losses where it is applicable.	Indefinite useful life and not amortised. Carrying amount is tested yearly for impairment.

### Service concession assets

#### Initial recognition

For arrangements within the scope of AASB 1059, Transport for NSW recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of Transport for NSW, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of Transport for NSW, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

#### Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment*, and AASB 136 *Impairment of Assets*.

## 16. Intangible assets (cont'd)

### Service concession assets (cont'd)

#### At the end of the arrangement

At the end of the service concession arrangement:

- Transport for NSW accounts for the asset in accordance with other Australian Accounting Standards, with the entity reclassifying the asset based on its nature or function
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13
- the asset is only derecognised when Transport for NSW loses control of the asset in accordance with AASB 138.

<b>Asset</b>	<b>Valuation policy</b>	<b>Amortisation policy</b>
Service concession assets - Easements and other access rights (including right of use of land and airspace acquired from third party land owners in relation to CBD and South East Sydney Light Rail)	Current replacement cost	Amortised using the straight-line method over the remaining period of the construction and operation phases of the project between 16 and 19 years.

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

### Fair value measurement and hierarchy

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, Transport for NSW categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

Transport for NSW recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(a) Fair value hierarchy**

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2022.

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>Property, plant and equipment</b>					
Land and buildings		-	4,740,746	511,882	5,252,628
<b>Land and buildings</b>		-	<b>4,740,746</b>	<b>511,882</b>	<b>5,252,628</b>
Rolling stock		-	-	717,823	717,823
Buses		-	-	324,775	324,775
Ferries		-	-	1,249	1,249
<b>Plant and equipment</b>		-	-	<b>1,043,847</b>	<b>1,043,847</b>
Road systems		-	-	137,699,985	137,699,985
Rail systems		-	-	4,214,658	4,214,658
Maritime assets		-	-	2,258,044	2,258,044
<b>Infrastructure systems</b>		-	-	<b>144,172,687</b>	<b>144,172,687</b>
<b>Non-current assets held for sale</b>	12	-	<b>26,877</b>	-	<b>26,877</b>
<b>Total</b>		-	<b>4,767,623</b>	<b>145,728,416</b>	<b>150,496,039</b>

Fair value measurements recognised in the balance sheet were categorised into the following levels at 30 June 2021.

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>Property, plant and equipment</b>					
Land and buildings		-	4,323,157	636,300	4,959,457
<b>Land and buildings</b>	14	-	<b>4,323,157</b>	<b>636,300</b>	<b>4,959,457</b>
Rolling stock		-	-	692,278	692,278
Buses		-	-	330,649	330,649
Ferries		-	-	1,385	1,385
<b>Plant and equipment</b>	14	-	-	<b>1,024,312</b>	<b>1,024,312</b>
Road systems		-	-	126,485,604	126,485,604
Rail systems		-	-	2,148,769	2,148,769
Maritime assets		-	-	4,093,941	4,093,941
<b>Infrastructure systems</b>		-	-	<b>132,728,314</b>	<b>132,728,314</b>
<b>Non-current assets held for sale</b>	12	-	<b>22,507</b>	-	<b>22,507</b>
<b>Total</b>		-	<b>4,345,664</b>	<b>134,388,926</b>	<b>138,734,590</b>

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2022

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

**(b) Valuation techniques, inputs and process**

<b>Valuation technique</b>	<b>Valuation input</b>
<b>Land and buildings</b>	
<p>Land and buildings measured at level 3 includes service concession buildings for toll roads.</p> <p>Assets are depreciated over estimated useful life.</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations.</p> <p>The determination of unit replacement rates for valuations is carried out at least every 3 years by externally engaged qualified valuers.</p>	<p>Inputs include current replacement costs, useful lives and asset age.</p>
<b>Roads</b>	
<p>Current replacement cost of significant road asset components:</p> <ul style="list-style-type: none"> <li>Pavements <ul style="list-style-type: none"> <li>Asphalt</li> <li>Concrete</li> <li>Spray</li> </ul> </li> <li>Culverts</li> <li>Drainage <ul style="list-style-type: none"> <li>Longitudinal</li> <li>Subsoil</li> </ul> </li> <li>Safety Barriers</li> <li>Fences</li> <li>Medians</li> <li>Rest areas</li> <li>Noise walls</li> <li>Other</li> </ul> <p>Assets are depreciated over estimated useful life depending on road component type (Note 14).</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations by movements in the Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI).</p> <p>The determination of unit replacement rates for road valuations is carried out at least every 5 years by independent externally engaged qualified valuers.</p>	<p>Replacement cost per unit of road asset component.</p> <p>Cost per unit has been determined by reference to unit prices quoted in the most recent road construction tender documents. The price range is adjusted to eliminate outlier amounts.</p> <p>Components are depreciated over their estimated useful life depending on road component type or remaining useful life depending on road assets' condition as depicted by the pavement health index (PHI) or culvert risk ratings</p>

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2022

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

**(b) Valuation techniques, inputs and process (cont'd)**

<b>Valuation technique</b>	<b>Valuation input</b>
<b>Land under roads and tracks</b>	
<p>The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an “open spaces ratio” to approximate fair value (unimproved and pre-subdivision land).</p> <p>The valuations are based on certain assumptions including property being vacant and therefore do not take into account costs that may be incurred in removing roads or tracks and other improvements. The Valuer-General’s urban average rateable values by LGA are calculated by reference to land values only and do not include the value of any improvements.</p>	<p>Local Government Area rateable land values provided by the NSW Valuer-General.</p> <p>Measurements of land area in situ under roads.</p>
<b>Bridges and tunnels</b>	
<p>Current replacement cost for the following bridge and tunnel types:</p> <ul style="list-style-type: none"> <li>Timber structures</li> <li>Concrete structures</li> <li>Steel structures</li> <li>Bridge trusses (timber and steel)</li> <li>Heritage bridges</li> <li>Bridge size culverts/tunnels</li> </ul> <p>Bridge and tunnel assets are depreciated over estimated useful depending on bridge and tunnel type (Note 14).</p> <p>Cost/m<sup>2</sup> rates per bridge and tunnel type are derived from current estimated bridge construction costs. Bridge and tunnel assets fair value is determined by applying the replacement rate by type to bridge and tunnel area.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by movements in the composite index comprising of the RBCI and the ‘other heavy and civil engineering construction’ index</p> <p>The determination of replacement rates for bridge and tunnel valuations is carried out at least every 5 years by independent externally engaged qualified valuers.</p>	<p>Replacement cost per unit of bridge and tunnel assets.</p> <p>Cost per unit has been determined by reference to unit prices quoted in the most recent bridge construction tender documents. The price range is adjusted to eliminate outlier amounts.</p> <p>Assets are depreciated over their remaining useful life depending on bridges and tunnels’ condition as depicted by the element condition data or estimated useful life depending on the bridge and tunnel’s capitalisation type.</p>

**Transport for NSW**  
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**17. Fair value measurement of non-financial assets (cont'd)**

**(b) Valuation techniques, inputs and process (cont'd)**

Valuation technique	Valuation input
<p><b>Traffic Signals Network</b></p> <p>Current replacement cost major asset components:</p> <ul style="list-style-type: none"> <li>Lanterns</li> <li>Posts</li> <li>Loops</li> <li>Controller</li> <li>Civils</li> </ul> <p>Assets are depreciated over estimated useful life (Note 14).</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by the movements in a composite index comprising of;</p> <ul style="list-style-type: none"> <li>• Non-residential building construction index</li> <li>• Heavy and civil engineering construction index</li> <li>• Other heavy and civil engineering construction index</li> </ul> <p>The determination of traffic signal unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified valuers.</p>	<p>Current unit replacement costs.</p>
<p><b>Traffic Control Network</b></p> <p>Depreciated replacement cost of major asset components:</p> <ul style="list-style-type: none"> <li>Enforcement systems</li> <li>Traffic monitoring units</li> <li>Weather stations</li> <li>Variable speed signs</li> <li>Variable message signs</li> <li>Tidal flow systems</li> <li>Over-speed detection systems</li> <li>Over-height detection systems</li> <li>Vehicle detection classification systems</li> <li>Emergency warning systems</li> <li>Advanced warning systems</li> <li>Changeable message signs</li> <li>Weigh-in-motion systems</li> <li>Street lights</li> <li>Emergency phones</li> <li>School zone warning system</li> <li>Traffic Management Centre</li> </ul> <p>Assets are depreciated over estimated useful life depending on component type (Note 14).</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by the movements in a composite index comprising of;</p> <ul style="list-style-type: none"> <li>• Non-residential building construction index</li> <li>• Heavy and civil engineering construction index</li> </ul>	<p>Current unit replacement costs.</p>

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

**(b) Valuation techniques, inputs and process (cont'd)**

<b>Valuation technique</b>	<b>Valuation input</b>
<b>Traffic Control Network(cont'd)</b>	
<ul style="list-style-type: none"> <li>Other heavy and civil engineering construction index</li> </ul> <p>The determination of traffic control system unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified valuers.</p>	
<b>Maritime assets</b>	
<p>Current replacement cost for:</p> <ul style="list-style-type: none"> <li>Wharves and jetties <ul style="list-style-type: none"> <li>Pontoon</li> <li>Gangway</li> <li>Jetty</li> <li>Other</li> </ul> </li> <li>Dredging</li> <li>Seawalls, training walls and revetments</li> <li>Maritime roads, accessways and slipways</li> <li>Aids to navigation <ul style="list-style-type: none"> <li>Light</li> <li>Buoy</li> <li>Pylon</li> </ul> </li> </ul> <p>Assets are depreciated over estimated useful life depending on asset type (Note 14).</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by obtaining letter of assurances from the external valuers.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p> <p>Income Approach for:</p> <ul style="list-style-type: none"> <li>Moorings and wetlands</li> </ul> <p>Estimates of total revenue earned on long term mooring and wetland leases are capitalised at net present value.</p>	<p>Replacement cost per unit or asset component as specified.</p> <p>Cost per unit/component has been determined by reference to recent construction projects of similar assets.</p> <p>Estimated total lease revenue.</p>
<b>Rail infrastructure</b>	
<p>Current replacement costs for the Pyrmont Light Rail network assets and the Inner West Light Rail extension network assets.</p> <p>Residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end</p>	<p>Inputs include:</p> <ul style="list-style-type: none"> <li>length of the tracks</li> <li>overhead power and stabling yards</li> <li>number of stops/stations</li> <li>economic working lives of the assets</li> <li>expired and remaining economic life</li> <li>depreciation methods</li> <li>functional obsolescence</li> <li>economic obsolescence</li> </ul>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

#### (b) Valuation techniques, inputs and process (cont'd)

Valuation technique	Valuation input
<b>Rail infrastructure(cont'd)</b>	
<p>of the asset's economic life, and construction project budget/forecast.</p> <p>Construction costs (excluding third party relocation costs) have been used for Newcastle Light Rail and CBD and South East Light Rail assets as they have been recently constructed</p>	<ul style="list-style-type: none"> <li>• historic cost information</li> <li>• foreign exchange rates</li> </ul>
<b>Plant and equipment</b>	
<p>Plant and equipment at level 3 includes rolling stock related to rail infrastructure.</p> <p>Current replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.</p>	<p>Inputs include:</p> <ul style="list-style-type: none"> <li>• replacement cost for modern equivalent assets</li> <li>• expected useful life and remaining life</li> <li>• inputs principally obtained from the manufacturer of the assets</li> </ul>
<b>Buses</b>	
<p>Optimised Replacement Cost (ORC) is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of input and in operating costs.</p>	<p>Inputs include</p> <ul style="list-style-type: none"> <li>• panel pricing</li> <li>• cost prices for buses</li> <li>• the exact specification of the bus</li> <li>• foreign exchange rates</li> <li>• ABS published Transport equipment manufacturing Indexes</li> <li>• the number of buses being replaced at the one time</li> <li>• any inhibiting contractual obligations and/or penalty clauses contained in the contract to supply</li> </ul>
<b>Ferries</b>	
<p>Discounted replacement cost was estimated based on pricing provided by a leading Australian boat builder, and assuming a steel hull, aluminium superstructure.</p>	<p>Inputs include</p> <ul style="list-style-type: none"> <li>• pricing provided by a leading Australian boat builder, and assuming a steel hull, aluminium superstructure</li> <li>• Sensibility check</li> <li>• Best measure remaining economic benefit</li> <li>• Expired and remaining economic life</li> </ul>
<b>Service concession assets - Roads</b>	
<p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by adjusting for RBCI.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged.</p>	<p>Inputs include replacement cost, construction year and useful life.</p>



**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2022

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

**(b) Valuation techniques, inputs and process (cont'd)**

<b>Valuation technique</b>	<b>Valuation input</b>
<b><i>Service concession assets – Bridges and Tunnels</i></b>	
<p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by movements in the composite index comprising of the RBCI and the 'other heavy and civil engineering construction' index</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p>	<p>Inputs include replacement cost, construction year and useful life.</p>
<b><i>Service concession assets – Traffic Control</i></b>	
<p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by the movements in a composite index comprising of;</p> <ul style="list-style-type: none"> <li>• Non-residential building construction index</li> <li>• Heavy and civil engineering construction index</li> <li>• Other heavy and civil engineering construction index</li> </ul> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p>	<p>Inputs include replacement cost, construction year and useful life.</p>
<b><i>Service concession assets – Building</i></b>	
<p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by the movements in of the Non-residential building construction index</p>	<p>Inputs include replacement cost, construction year and useful life.</p>
<p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p>	

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

**(b) Valuation techniques, inputs and process (cont'd)**

<b>Valuation technique</b>	<b>Valuation input</b>
<b><i>Service concession assets – Equipment</i></b>	
<p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p>	<p>Inputs include replacement cost, construction year and useful life.</p>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(c) Reconciliation of level 3 fair value measurement**

	<b>Buildings</b>	<b>Buses</b>	<b>Rolling stock</b>	<b>Ferries</b>	<b>Infrastructure systems</b>	<b>Total level 3 fair value</b>
<b>As at 30 June 2022</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Balance at the beginning of the year	636,300	330,649	692,278	1,385	132,728,314	134,388,926
Additions	-	-	-	-	6,630,118	6,630,118
Net revaluation increments less revaluation decrements recognised in equity	-	29,358	50,410	-	7,464,357	7,544,125
Net revaluation increment/(decrement) recognised in net result	8,500	-	-	-	510,936	519,436
Transfer (to)/from assets under construction	-	7,963	-	-	-	7,963
Disposals	-	(1,157)	-	-	-	(1,157)
Depreciation expense	(27,761)	(42,038)	(24,865)	(136)	(2,354,108)	(2,448,908)
Asset transfer (to)/from equity	1,518	-	-	-	(47,351)	(45,833)
Reclassifications (to)/from intangible assets	-	-	-	-	(192,220)	(192,220)
Transfer (to)/from other classes of property, plant and equipment	1,162	-	-	-	(85,103)	(83,941)
Asset write-off	(2,378)	-	-	-	(99,267)	(101,645)
Transfer (to)/from level 2	(104,015)	-	-	-	(33,008)	(137,023)
Transfer to local councils, NSW government agencies & other parties	-	-	-	-	(353,326)	(353,326)
Assets recognised for the first time	-	-	-	-	1,528	1,528
Impairment losses	(1,444)	-	-	-	-	(1,444)
Transfer from local councils	-	-	-	-	1,817	1,817
<b>Balance at the end of the year</b>	<b>511,882</b>	<b>324,775</b>	<b>717,823</b>	<b>1,249</b>	<b>144,172,687</b>	<b>145,728,416</b>

Reconciliation of level 3 fair value measurement includes infrastructure assets under construction.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(c) Reconciliation of level 3 fair value measurement (cont'd)**

	<b>Buildings</b>	<b>Buses</b>	<b>Rolling stock</b>	<b>Ferries</b>	<b>Infrastructure systems</b>	<b>Total level 3 fair value</b>
<b>As at 30 June 2021</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the year	463,306	347,740	704,737	1,521	126,518,791	128,036,095
Additions	-	30,079	-	-	8,867,760	8,897,839
Net increase in asset revaluation reserve	(17,820)	-	12,095	-	514,100	508,375
Net revaluation increment/(decrement) recognised in net result	(31,773)	-	-	-	(273,167)	(304,940)
Transfer (to)/from assets under construction	(7,892)	-	-	-	14,191,045	14,183,153
Disposals	(655)	(2,068)	-	-	-	(2,723)
Depreciation expense	(27,380)	(45,103)	(24,554)	(136)	(2,256,037)	(2,353,210)
Asset transfer (to)/from equity	713	-	-	-	-	713
Transfer (to)/from other assets and liabilities	-	-	-	-	(196,009)	(196,009)
Reclassifications within property, plant and equipment	-	1	-	-	(14,256,312)	(14,256,311)
Net increase in assets from administrative restructure	1,196	-	-	-	874,540	875,736
Asset write-off	(4,104)	-	-	-	(377,599)	(381,703)
Transfer (to)/from level 2	287,482	-	-	-	(199,573)	87,909
Transfer to local councils, NSW government agencies & other parties	(29,245)	-	-	-	(804,309)	(833,554)
Assets recognised for the first time	2,472	-	-	-	493	2,965
Impairment losses	-	-	-	-	118,560	118,560
Transfer from local councils	-	-	-	-	6,031	6,031
<b>Balance at the end of the year</b>	<b>636,300</b>	<b>330,649</b>	<b>692,278</b>	<b>1,385</b>	<b>132,728,314</b>	<b>134,388,926</b>

Reconciliation of level 3 fair value measurement includes infrastructure assets under construction.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**18. Restricted assets**

	Notes	2022 \$'000	2021 \$'000
Cash and cash equivalents		791,731	497,699
Financial assets at fair value through profit or loss	11	-	133,993
<b>Restricted assets</b>		<b>791,731</b>	<b>631,692</b>

**Cash and cash equivalents**

Cash and cash equivalent assets include restricted cash of \$791.7 million (2021: \$497.7 million) held within Westpac Bank Accounts that are included in the Treasury Banking System. This is made up of:

- \$413.3 million (2021: \$338.0 million) in relation to funds administered on behalf of the Maritime Waterways fund. These funds are restricted to activity relating to maritime transactions and are covered by Section 42 of the Ports and Maritime Administration Act 1995
- \$14.5 million (2021: \$45.1 million) has been quarantined specifically in relation to the Parking Space Levy (PSL). PSL funds can only be used for the purposes outlined in Section 11(3) of the Parking Space Levy Act 2009 and therefore are not available to fund the ongoing operations of Transport for NSW
- \$107.8 million (2021: \$64.4 million) held within the Treasury Banking System relating to E-tag security deposits and unused E-Toll topups. Holders of E-tags provided an initial amount as a security deposit for the use of the actual E-tag. All original deposits have been credited to existing customers E-Tag accounts for use on toll roads
- \$36.2 million (2021: \$34.6 million) held within the Treasury Banking System and relate to land acquisitions by the State. Transport for NSW is required to keep the money in a fund for the person entitled to compensation. Transactions on this account are restricted to activities relating to land acquisitions
- \$18.4 million (2021: \$15.6 million) for community transport groups. The Transport component of the Home and Community Care program is jointly funded by the NSW and Commonwealth governments. The program provides funding for the delivery of services to assist frail aged and younger people with disabilities, and their carers. These funds are required to be quarantined for specific use as defined by the terms and conditions for Home and Community Care Funding, including for the provisions of transport services by community transport groups
- \$201.5 million held in Westpac Bank ETS Clearing Account are related to total unused funds on patrons' Opal smartcards (Store Value Liability). Holders of Opal Cards make top ups to the smartcards and use these funds for travel on Opal network. The funds need to be available to be refunded if the customers choose to.

**Financial assets at fair value**

Financial assets at fair value related to TCorpIM Funds that were redeemed for cash in the current year, refer to Note 11 for further detail. These funds are administered on behalf of the Maritime Waterways fund and are restricted to activities relating to maritime transactions. The investments are controlled by Transport for NSW and are covered by Section 42 of the *Ports and Maritime Administration Act 1995*.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**19. Payables**

	<b>2022</b>	<b>2021<sup>1</sup></b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Trade creditors	200,774	94,360
Accrued expenses	1,915,608	2,076,449
Other creditors	8,770	66,081
Creditors arising from compulsory acquisitions	340,551	458,677
Personnel service	236,353	269,618
<b>Current payables</b>	<b>2,702,056</b>	<b>2,965,185</b>

<sup>1</sup> In the 2021 financial statements, TfNSW recognised a non-current receivable (Note 8) of \$354.7 million from TAHE in relation to construction costs incurred but not billed to TAHE, and a corresponding non-current payable of \$354.7 million in relation to the amounts owed by TfNSW to the vendor upon completion. In 2022, these amounts were reclassified as financial assets and liabilities, respectively. Non-current receivables of \$354.7 million were reclassified to Non-current Other financial assets (Note 13) and Non-current payables of \$354.7 million were reclassified to Non-current Borrowings - Other financial liabilities at amortised cost (Note 20).

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

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

**Recognition and measurement**

Payables represent liabilities for goods and services provided to Transport for NSW and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, recognised initially at fair value, net of directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

Transport for NSW employees are employed by Transport Service of New South Wales (Transport Service). The personnel services liability represents payable to Transport Service in relation to these employee costs.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**20. Borrowings**

	2022 \$'000	2021 <sup>1</sup> \$'000
<b>Current</b>		
Lease liabilities	159,823	222,811
Financial liabilities at fair value	392	119
Service concession financial liabilities <sup>2</sup>	177,551	1,119,513
<b>Current borrowings</b>	<b>337,766</b>	<b>1,342,443</b>
<b>Non-current</b>		
Financial liabilities at fair value	81	-
Lease liabilities	776,734	1,492,595
Service concession financial liabilities	1,764,030	1,909,054
Financial liabilities at amortised cost <sup>3</sup>	491,926	354,684
<b>Non-current borrowings</b>	<b>3,032,771</b>	<b>3,756,333</b>

<sup>1</sup> In the 2021 financial statements, TfNSW recognised a non-current receivable (Note 8) of \$354.7 million from TAHE in relation to construction costs incurred but not billed to TAHE, and a corresponding non-current payable (Note 19) of \$354.7 million in relation to the amounts owed by TfNSW to the vendor upon completion. In 2022, these amounts were reclassified as financial assets and liabilities, respectively. Non-current receivables of \$354.7 million were reclassified to Non-current Other financial assets (Note 13) and Non-current payables of \$354.7 million were reclassified to Non-current Borrowings - Other financial liabilities at amortised cost.

<sup>2</sup> Service concession financial liabilities relates to contractual payments to be made to the operator, refer to Note 14 for further details on the entity's service concession arrangements.

<sup>3</sup> Financial liabilities at amortised cost relates to Transport for NSW's contractual obligation to the private sector for construction works carried out under a PPP contract managed by Transport for NSW on behalf of TAHE the asset owner.

**Repayment of borrowings**

	2022 \$'000	2021 \$'000
Not later than one year	337,766	1,342,443
Later than one year and not later than five years	1,456,630	1,122,542
Later than five years	1,576,141	2,633,791
<b>Total repayment of borrowings</b>	<b>3,370,537</b>	<b>5,098,776</b>

**Recognition and measurement**

Borrowing represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities and other interest bearing liabilities.

Borrowings classified as financial liabilities at amortised cost, including service concession financial liabilities, are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

The carrying amount of the service concession financial liabilities have been calculated based on the present value of future payments using discount rates provided by NSW Treasury as at transition date.

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

### **Financial guarantees**

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

Financial guarantees contracts are recognised as a financial liability at the time the guarantees are issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, Transport for NSW's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

Transport for NSW carries out minor works contracts for entities outside of the NSW public sector. In order to tender for the contracts and remain on an equal footing, Transport for NSW is required to lodge a security deposit in the form of bank guarantee. Under the *Government Sector Finance Act 2018*, Transport for NSW has an approved limit from TCorp of \$6.0 million to 30 June 2022.

Transport for NSW has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2022 and as at 30 June 2021. However, refer to Note 25 regarding disclosures on contingent liabilities.

### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading such as derivatives and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term or on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Derivatives are carried as financial liabilities when the fair value is negative. Gains or losses on liabilities held-for-trading are recognised in the net result.



**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2022

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

**Changes in liabilities arising from financing activities**

<b>As at 30 June 2022</b>	<b>Other financial liabilities at amortised cost \$'000</b>	<b>Leases \$'000</b>	<b>Service concession arrangements \$'000</b>	<b>Other \$'000</b>	<b>Total liabilities from financing activities \$'000</b>
<b>Balance at the beginning of the year</b>	354,684	1,715,406	3,028,567	119	5,098,776
Cash flows	-	(310,323)	(1,138,153)	-	(1,448,476)
Additions during the year	137,242	250,603	24,797	-	412,642
Re-measurement of leases	-	(27,769)	-	-	(27,769)
Other	-	65,003	26,370	354	91,727
Derecognition of lease liabilities with Property NSW	-	(756,363)	-	-	(756,363)
<b>Balance at the end of the year</b>	<b>491,926</b>	<b>936,557</b>	<b>1,941,581</b>	<b>473</b>	<b>3,370,537</b>
<b>As at 30 June 2021</b>					
<b>Balance at the beginning of the year</b>	-	1,864,201	3,701,427	57	5,565,685
Cash flows	-	(345,863)	(202,944)	-	(548,807)
Additions during the year	354,684	171,693	-	-	526,377
Re-measurement of leases	-	(41,725)	-	-	(41,725)
Transfer (to)/from GORTO liability	-	-	(453,514)	-	(453,514)
Other	-	67,100	(16,402)	62	50,760
<b>Balance at the end of the year</b>	<b>354,684</b>	<b>1,715,406</b>	<b>3,028,567</b>	<b>119</b>	<b>5,098,776</b>

**Transport for NSW**  
**Notes to the financial statements**  
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**21. Provisions**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Land and buildings remediation	8,428	7,466
Lease make good costs	9,629	3,520
COVID-19 construction pause	91,113	-
Other	20,375	22,753
<b>Current provisions</b>	<b>129,545</b>	<b>33,739</b>
<b>Non-current</b>		
Lease make good costs	22,058	27,977
Biodiversity	2,642	2,642
<b>Non-current provisions</b>	<b>24,700</b>	<b>30,619</b>

**Recognition and measurement**

The make good leasehold provision is calculated on all leased properties where Transport for NSW is the lessee and reflects an estimate of the cost to make good the premises to their original condition at the end of the lease term. If the effect of the time value of money is material, provisions are discounted at an average rate of 2.6 percent (2021: 0.3 percent). The level of the provision is reviewed at the end of each reporting period.

The provision for biodiversity represents the best estimate of the expenditure required to settle biodiversity credits arising from Transport for NSW's construction works as well as maintain the required level of biodiversity on Transport for NSW land. Other provisions include compliance claims and other contractual obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation including timing of the settlement.

The COVID-19 construction pause provision include delays and additional cost claims received from the subcontractors as a result of disruptions to construction activity in July 2021. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation including timing of the settlement.

Any provisions for restructuring are recognised only when Transport for NSW has a detailed formal plan and it has raised a valid expectation in those affected by the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

**Transport for NSW**  
**Notes to the financial statements**  
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**21. Provisions (cont'd)**

**Movement in provisions**

Movements in each class of provision during the financial year are set out below:

	<b>Land and buildings remediation</b>	<b>Lease make good costs</b>	<b>Biodiversity</b>	<b>COVID-19 construction pause</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at the beginning of the financial year	7,466	31,497	2,642	-	22,753	64,358
Additional provision recognised	2,522	1,864	-	91,113	21,398	116,897
Unused amounts reversed	(178)	(4,173)	-	-	-	(4,351)
Unwinding/change in the discount rate	-	2,499	-	-	-	2,499
Amounts used	(1,382)	-	-	-	(23,776)	(25,158)
<b>Carrying amount at the end of financial year</b>	<b>8,428</b>	<b>31,687</b>	<b>2,642</b>	<b>91,113</b>	<b>20,375</b>	<b>154,245</b>

**Transport for NSW**  
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**22. Other liabilities**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Statutory creditors	23,546	22,180
Sydney Harbour Tunnel tax liabilities	2,660	4,686
Opal card holding accounts	219,221	215,717
Other holding accounts	2,511	2,564
E-tag holding accounts	112,853	64,096
Grant of right to operate (GORTO) liability under service concessions <sup>1</sup>	555,180	547,888
Other liabilities <sup>2</sup>	17,282	830
<b>Current other liabilities</b>	<b>933,253</b>	<b>857,961</b>
Sydney Harbour Tunnel tax liabilities	443	3,322
Grant of right to operate (GORTO) liability under service concessions <sup>1</sup>	16,726,288	16,797,694
Other liabilities <sup>2</sup>	66,039	-
<b>Non-current other liabilities</b>	<b>16,792,770</b>	<b>16,801,016</b>

<sup>1</sup> This is the unearned portion of the revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Note 3(i) and 14 for further information on service concession arrangements.

<sup>2</sup> Other liabilities include leasehold incentives which are no longer recognised as part of the lease liability under AASB16 and will be offset against the rental expense over the term of the service contract, refer to Note 15(a) for recognition and measurement of these balances.

Refer to Note 3(vi) for a description of the entity's obligations under transfers received to acquire or construct non-financial assets to be controlled by the entity.

**Transport for NSW**  
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**23. Equity and reserves**

**(a) Asset revaluation reserve**

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with Transport for NSW's policy on the revaluation of property, plant and equipment as discussed in Note 14.

**(b) Hedge reserve**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and is accumulated in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

**(c) Accumulated funds**

Accumulated funds includes all current and prior period retained funds.

**(d) Equity transfers**

	Notes	2022 \$'000	2021 \$'000
Property, plant and equipment transferred (to)/ from Transport Asset Holding Entity	14	(47,339)	(407)
Property, plant and equipment transferred from Infrastructure NSW	14	-	4,493
Land transferred (to)/from Department of Planning and Environment	14	2,347	-
Property, plant and equipment transferred from State Transit Authority of New South Wales	14	1,603	-
Cash transferred from State Transit Authority of New South Wales		19,468	-
Receivables transferred from State Transit Authority of New South Wales		13,062	-
Payables transferred from State Transit Authority of New South Wales		(117,842)	-
<b>Equity transfers</b>		<b>(128,701)</b>	<b>4,086</b>

## **23. Equity and reserves (cont'd)**

### **(d) Equity transfers (cont'd)**

#### **2022**

On 27 and 28 June 2022, the Secretary approved via Vesting Orders the transfer of \$47.4 million asset under construction cost for the Fast Rail and Central Precinct, Redfern North Eveleigh and Transport Asset Revitalisation programs to TAHE as the ultimate owner and future funding holder for these projects.

On 20 January 2022, the Transport Secretary approved the transfer of part of Lot 8 DP1243994 located at Dubbo together with any assets, rights and liabilities (\$10,486) from TAHE to Transport for NSW.

On 23 April 2022, the Transport Secretary approved the transfer of STA's remaining assets, rights and liabilities (\$83.7 million) from State Transit Authority of New South Wales (STA) to Transport for NSW.

On 16 March 2022, the Minister Administering the National Parks and Wildlife Act approved the transfer of land located at Bungawalbin and Sherwood (\$343,708) from Transport for NSW to National Parks and Wildlife Services.

On 27 August 2021, the Minister for Water, Property & Housing approved the transfer of land located at Nelson Bay (\$2.7 million) from Department of Planning and Environment to Transport for NSW.

On 7 April 2021, the Minister Administering the National Parks and Wildlife Act approved the transfer of land located at Kurrajong (\$16,756) from Transport for NSW to National Parks and Wildlife Services. The transfer was only recognised in the current year.

#### **2021**

On 12 June 2020, the Premier approved the transfer of certain assets, including assets under construction, relating to the Redfern-Eveleigh and Bays West precincts (net \$4.5 million), effective 1 July 2020, from Infrastructure NSW to Transport for NSW.

On 15 January 2021, the Transport Secretary approved the transfer of Lot 4 DP 808842 located at Bowral, as well as Part Lot 11 DP 1216346 and Part Lot 3907 DP 1215684 located at Mittagong together with any assets, rights and liabilities (net \$0.4 million) from Transport for NSW to Transport Asset Holding Entity of New South Wales (TAHE).

### **Recognition and measurement**

Equity transfers represent the transfer of net assets / liabilities between agencies as a result of an administrative restructure transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated funds". This treatment is consistent with NSW Treasury Policy and Guidelines Paper Accounting Policy: *Contribution by owners made to wholly-owned public sector entities* (TPP 21-08), AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners made to Wholly-owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

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

**Transport for NSW**  
**Notes to the financial statements**  
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**23. Equity and reserves (cont'd)**

**(e) Administrative restructure**

Net assets and liabilities transferred to and (from) Transport for NSW in the year ended 30 June 2021 were as follows:

	<b>Department of Planning and Environment</b>
	<b>2021</b>
	<b>\$'000</b>
<b>ASSETS</b>	
Receivables	1,838
<b>Total current assets</b>	<b>1,838</b>
Land and buildings	30,598
Plant and equipment	2
Infrastructure systems	874,539
<b>Total non-current assets</b>	<b>905,139</b>
<b>Total assets</b>	<b>906,977</b>
<b>LIABILITIES</b>	
Payables	147
Provisions	1,759
Contract liabilities	78
<b>Total current liabilities</b>	<b>1,984</b>
<b>Total non-current liabilities</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,984</b>
<b>Net assets</b>	<b>904,993</b>

There were no Administrative restructures in the year ended 30 June 2022.

The Minister for Transport and Roads, the Minister of Water, Property and Housing, and the Minister for Planning and Public Spaces approved the establishment of the Maritime Infrastructure Delivery Office within Transport for NSW by transferring relevant functions, programs, funding, and certain assets and liabilities (net \$905.0 million) from the Department of Planning, Industry and Environment (DPIE) to Transport for NSW. The transfer was effective from 1 July 2020.

**Transport for NSW**  
**Notes to the financial statements**  
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**24. Commitments for expenditure**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Capital commitments</b>		
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at balance date and not provided for:		
Not later than one year	6,664,785	4,533,874
Later than one year and not later than five years	3,209,892	5,167,173
Later than five years	798	1,725
<b>Total (including GST)</b>	<b>9,875,475</b>	<b>9,702,772</b>

The total commitments detailed above include GST input tax credits of \$897.7 million (2021: \$874.0 million) that are expected to be recoverable from the ATO.



## **25. Contingent liabilities and contingent assets**

Transport for NSW has several contractual disputes with an estimated total contingent liability of \$377.6 million (June 2021: \$450.3 million). There are a number of other contractual claims that have arisen from the normal course of business. The amount of the liability that may arise from these claims cannot be measured reliably at this time. There is significant uncertainty as to whether a future liability will arise in respect to these items.

Transport for NSW also has a number of compulsory property acquisition matters under litigation where claims differ from the Valuer General's determined amount. These have an estimated contingent liability of \$161.2 million (June 2021: \$127.5 million) and are net of Treasury Managed Fund (TMF) reimbursements.

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

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

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability for a period of at least 12 months from the date that the 30 June 2022 Prime return for OTSI is submitted to NSW Treasury. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to Government.

Transport for NSW has also made a number of claims with an estimated total contingent asset of \$1.1 million (June 2021: \$8.5 million).

Apart from the matters mentioned above, Transport for NSW does not have any other contingent liabilities or contingent assets that would significantly impact on the state of affairs of Transport for NSW or have a material effect on these financial statements.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

	Notes	2022 \$'000	2021 \$'000
Net cash inflows from operating activities		7,604,769	8,300,048
Depreciation and amortisation	2(d)	(2,984,086)	(2,914,127)
M2 and Eastern Distributor Promissory Notes	3(c)	7,640	11,252
Revenue related to service concession arrangements	3(i)	555,173	507,601
Other non-cash items		27,512	(28,604)
Property, plant and equipment transferred from local councils	14	1,817	7,703
Property, plant and equipment transferred to local councils, NSW government agencies & other parties	14	(353,326)	(833,554)
Revaluation increment/(decrement) of assets	14	470,223	(188,107)
Net gain on financial assets/liabilities		45,144	-
Increase in receivables, inventories and other assets		117,343	479,101
Increase in payables and provisions		(19,863)	(674,863)
(Impairment)/reversal of impairment and write off assets	5	(1,444)	109,485
Net gain from derecognition of Property NSW lease	5	93,553	-
Property, plant and equipment and intangible asset write off	4	(112,486)	(382,868)
Net gain on sale of assets held for sale	4	9,929	9,255
Loss on sale of property	4	(23,717)	(4,379)
<b>Reconciliation to net result</b>		<b>5,438,181</b>	<b>4,397,943</b>

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

	Notes	2022 \$'000	2021 \$'000
Lease liabilities in respect of acquisition of plant and equipment		(720,386)	(2,663,790)
Financial liabilities in respect of Sydney Light Rail		-	(16,402)
<b>Non-cash financing activities</b>		<b>(720,386)</b>	<b>(2,680,192)</b>
Plant and equipment acquired by lease		720,386	2,663,790
Assets recognised for the first time	3(i)	1,562	3,422
Asset written off	4, 14	(112,486)	(382,868)
Impairment reversal/(losses) on property, plant and equipment	5	(1,444)	123,026
Impairment losses on assets held for sale	5	-	(7,222)
Impairment losses on right of use assets	5	-	(6,319)
Unrealised gains on derivatives		48,843	-
M2 and Eastern Distributor promissory notes	3(c)	7,640	11,252
Net revaluation increment/(decrement) recognised in net result	5, 14	470,223	(188,107)
Property, plant and equipment transferred from local councils	14	-	7,703
Property, plant and equipment transferred to local councils, NSW government agencies & other parties	2(e), 14	(353,326)	(833,554)
Capitalisation of Sydney Light Rail asset		-	16,402
Transfer from administrative restructure - others	23(e)	-	904,993
Equity transfers	23(d)	(43,389)	4,086
Resources received free of charge	3(h)	6,232	36,033
<b>Non-cash investing activities</b>		<b>744,241</b>	<b>2,352,637</b>
<b>Non-cash financing and investing activities</b>		<b>(23,855)</b>	<b>(327,555)</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**28. Administered income and expenses**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Transfer receipts</b>		
Taxes, fees and fines	685,091	683,808
Stamp duty	957,298	961,081
Motor vehicle weight tax and fines	2,479,878	2,351,426
Other	66,767	89,367
<b>Administered income</b>	<b>4,189,034</b>	<b>4,085,682</b>
<b>Administered expenses</b>		
Taxes, fees and fines	(3,131)	(2,644)
<b>Administered expenses</b>	<b>(3,131)</b>	<b>(2,644)</b>
<b>Total administered income and expenses</b>	<b>4,185,903</b>	<b>4,083,038</b>

**Recognition and Measurement**

Transport for NSW administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown in the right of the State of New South Wales. Monies collected are not recognised as Transport for NSW's revenue but are separately disclosed. Transport for NSW is accountable for the transactions relating to these administered activities but does not have the discretion, for example, to deploy the resources for the achievement of its own objectives. Expenses incurred in collecting monies on behalf of the Crown in the right of the State of New South Wales are recognised as Transport for NSW's expenses. The accrual basis of accounting and all applicable accounting standards have been adopted.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**29. Administered assets and liabilities**

	2022 \$'000	2021 \$'000
Cash	39,274	36,852
<b>Administered assets</b>	<b>39,274</b>	<b>36,852</b>
Holding accounts (current liabilities-other)	39,274	36,852
Licence fees <sup>1</sup>	275,549	288,120
<b>Administered liabilities</b>	<b>314,823</b>	<b>324,972</b>

<sup>1</sup> The amount of multiple licence fees issued in the current period is approximately \$141.0 million (2021: \$169.9 million). The maximum period of a licence is 10 years. First year licences are not deemed to be a liability. The outstanding liability above represents the remaining 9 years.

**Recognition and Measurement**

Transport for NSW administers, but does not control, certain activities on behalf of the Crown in the right of the State of New South Wales and the National Heavy Vehicle Regulator. It is accountable for the transactions relating to those administered activities but does not have discretion, for example, to deploy the resources for the achievement of Transport for NSW's own objectives.

Transactions and balances relating to the administered activities are not recognised as Transport for NSW' assets and liabilities, but are disclosed separately. The holding accounts and remitting account balances above represent fees collected by motor registries that have not been remitted to the third party they are being administered for (generally NSW Treasury and the National Heavy Vehicle Regulator).

**30. Financial instruments**

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

Transport for NSW main risks arising from financial instruments are outlined below, together with Transport for NSW's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary has overall responsibility for the establishment and oversight of risk management and review, and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set risk limits and controls and to monitor risks. Compliance with these policies is subject to review by the reporting entity on a continuous basis.

**Transport for NSW**  
**Notes to the financial statements**  
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**30. Financial instruments (cont'd)**

**(a) Financial instrument categories**

<b>Class</b>	<b>Notes</b>	<b>Category</b>	<b>Carrying amount 2022 \$'000</b>	<b>Carrying amount 2021 \$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	7	N/A	1,924,191	2,509,789
Receivables <sup>1</sup>	8	Loans and receivables (measured at amortised cost)	592,723	496,233
Financial assets at fair value	11	Fair value through profit or loss – designated as such at initial recognition	48,843	133,993
Other financial assets	13	Amortised cost	798,899	636,092
			<b>3,364,656</b>	<b>3,776,107</b>
<b>Financial liabilities</b>				
Payables	19	Financial liabilities measured at amortised cost	2,702,056	2,965,185
Other Liabilities <sup>2</sup>	22	Financial liabilities measured at amortised cost	337,578	290,545
Borrowings	20	Financial liabilities measured at amortised cost	3,370,064	5,098,657
Financial liabilities at fair value	20	Fair value through profit or loss – designated as such at initial recognition	473	119
			<b>6,410,171</b>	<b>8,354,506</b>

During 2022, there were no defaults on any loans payable (2021: nil).

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

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

The entity determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

**Transport for NSW**  
**Notes to the financial statements**  
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**30. Financial instruments (cont'd)**

**(b) Derecognition of financial assets and financial liabilities**

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if Transport for NSW transfers its right to receive cash flows from the assets; or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- Transport for NSW has transferred substantially all the risks and rewards of the asset
- Transport for NSW has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When Transport for NSW has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent it has retained the risks and rewards of ownership. Where Transport for NSW has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset is recognised to the extent of Transport for NSW's continuing involvement in the asset. In that case, Transport for NSW also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

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

**(c) Derivatives**

Transport for NSW held \$48.8 million (2021: nil) in derivative financial assets and \$0.5 million (2021: \$0.1 million) in derivative financial liabilities.

The following table indicates the periods in which the cash flow associated with derivative financial instruments are expected to occur and the carrying amounts of the instruments.

	Weighted average exchange rate	Contract value \$'000	Expected Cash Flows			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>As at 30 June 2022</b>						
Denominated in US Dollars	0.72	41,698	460	1,574	39,664	41,698
Denominated in Euros	0.62	14,777	549	10,907	3,321	14,777
<b>Foreign exchange contracts</b>	<b>0.67</b>	<b>56,475</b>	<b>1,009</b>	<b>12,481</b>	<b>42,985</b>	<b>56,475</b>
<b>Interest rate swap</b>		<b>56,545</b>	<b>(1,350)</b>	<b>4,480</b>	<b>53,415</b>	<b>56,545</b>
<b>As at 30 June 2021</b>						
Denominated in US Dollars	0.72	2,454	460	1,381	613	2,454
Denominated in Euros	0.63	2,408	-	2,408	-	2,408
<b>Foreign exchange contracts</b>	<b>0.68</b>	<b>4,862</b>	<b>460</b>	<b>3,789</b>	<b>613</b>	<b>4,862</b>
<b>Interest rate swap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Information about the exposure is provided: credit risk in Note 30(d), the methods and assumptions used in determining fair values of derivatives in Note 30(c).

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

**(c) Derivatives (cont'd)**

**Foreign exchange risk management**

Transport for NSW only uses derivatives for hedging purposes and not as trading or speculative instruments. Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency.

All forward currency contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 9 *Financial Instruments*. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

**Interest rate risk management**

Transport for NSW entered into fixed interest rate forward swap agreements with TCorp to manage its floating interest rate risk exposure in relation to public-private partnership service payments. This enables Transport for NSW to manage the underlying cash flow requirements with greater confidence and certainty.

The interest rate swaps are not designated in an accounting hedge relationship and therefore categorised as held for trading and presented in the Statement of financial position. These interest rate swaps are subsequently measured at fair value through profit or loss.

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

#### **(d) Credit risk**

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk can arise from financial assets of the reporting entity, including cash, receivables, and authority deposit. Transport for NSW holds bank guarantees for significant customers as well as property bonds for some leased premises. Transport for NSW has not granted any financial guarantees and do not hold any collateral.

Credit risk associated with Transport for NSW's financial assets other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. All debt management and investment activities are undertaken with TCorp, which is guaranteed by the NSW Government.

Transport for NSW considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Transport for NSW may also consider a financial asset to be in default when internal or external information indicates that Transport for NSW is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the reporting entity.

#### **Cash and cash equivalents**

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on restricted bank balances at the current Reserve Bank of Australia official cash rate.

#### **Derivatives**

Transport for NSW limits its exposure to credit risk by entering into derivative financial instruments only with approved counterparties that have an acceptable credit rating. Derivative counterparties are limited to high creditworthy organisations in the energy industry.

#### **Accounting policy for impairment of trade debtors and other financial assets**

##### **Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payment for a period of greater than 90 days past due. These changes on loss allowance for trade debtors as at 30 June 2022 and 30 June 2021 have not had a material impact on Transport for NSW receivables. Transport for NSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.



**Transport for NSW**  
**Notes to the financial statements**  
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**30. Financial instruments (cont'd)**

**(d) Credit risk (cont'd)**

The entity recognised provision for expected credit losses on its trade debtors in the amount of \$8.9 million at 30 June 2022 (2021: \$7.5 million).

<b>Trade Debtors</b>	<b>Current</b>	<b>&lt;31</b>	<b>31-60</b>	<b>61-90</b>	<b>&gt;91</b>	<b>Total</b>
<b>As at 30 June 2022</b>	<b>\$'000</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>\$'000</b>
Expected credit loss rate	0.06%	0.32%	5.00%	9.00%	32.00%	
Estimated total gross carrying amount at default	54,600	27,023	2,672	2,292	26,143	112,730
Expected credit loss	35	87	145	197	8,440	8,904
<b>As at 30 June 2021</b>						
Expected credit loss rate	0.01%	0.16%	0.77%	1.27%	36.10%	
Estimated total gross carrying amount at default	130,587	69,732	12,012	9,030	19,933	241,294
Expected credit loss	9	112	93	115	7,196	7,525

The ageing analysis excludes statutory receivables, prepayments as these are not within the scope of AASB 7.

**(e) Liquidity risk**

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

During the current and prior year, there were no defaults of loans payable and no assets have been pledged as collateral. Transport for NSW's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

**Transport for NSW**  
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**30. Financial instruments (cont'd)**

**(e) Liquidity risk (cont'd)**

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

	Weighted average effective Int. rate (%)	Interest rate exposure				Maturity dates		
		Nominal amount \$ '000	Fixed interest rate	Variable interest rate	Non-interest bearing \$ '000	< 1 year \$ '000	1 - 5 years \$ '000	> 5 years \$ '000
			\$ '000	\$ '000				
<b>2022</b>								
<b>Payables</b>								
Trade creditors	-	200,774	-	-	200,774	200,774	-	-
Accrued expenses	-	1,915,608	-	-	1,915,608	1,915,608	-	-
Other creditors	-	349,321	-	-	349,321	349,321	-	-
Personnel service payable	-	236,353	-	-	236,353	236,353	-	-
Other liabilities	-	337,578	-	-	337,578	337,135	443	-
<b>Borrowings</b>								
Lease liabilities	4.78%	1,151,939	74,377	1,077,562	-	200,997	524,696	426,246
Service concession financial liabilities	1.24%	2,115,556	71,553	2,044,003	-	197,296	548,349	1,369,911
Other financial liabilities at amortised cost	5.01%	1,532,943	1,532,943	-	-	4,281	703,976	824,686
<b>Derivative financial instruments</b>								
Financial liabilities at fair value	-	473	-	-	473	392	81	-
		<b>7,840,545</b>	<b>1,678,873</b>	<b>3,121,565</b>	<b>3,040,107</b>	<b>3,442,157</b>	<b>1,777,545</b>	<b>2,620,843</b>
<b>2021</b>								
<b>Payables</b>								
Trade creditors	-	94,360	-	-	94,360	94,360	-	-
Accrued expenses	-	2,431,135	-	-	2,431,135	2,076,451	354,684	-
Other creditors	-	524,758	-	-	524,758	524,758	-	-
Personnel service payable	-	269,618	-	-	269,618	269,618	-	-
Other liabilities	-	290,545	-	-	290,545	287,223	3,322	-
<b>Borrowings</b>								
Lease liabilities	2.82%	1,715,406	791,125	924,281	-	221,811	629,826	862,769
Service concession financial liabilities	1.26%	3,028,567	361,098	2,667,469	-	1,119,513	487,514	1,421,540
<b>Derivative financial instruments</b>								
Foreign exchange contracts outflow	-	119	-	-	119	119	-	-
<b>Financial liabilities at fair value</b>		<b>8,354,508</b>	<b>1,152,223</b>	<b>3,591,750</b>	<b>3,610,535</b>	<b>4,594,853</b>	<b>1,475,346</b>	<b>2,284,309</b>

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2022

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

**(f) Market risk**

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. Transport for NSW's exposure to market risk is primarily through interest rate risk on Transport for NSW's borrowings, foreign exchange risks associated with overseas purchase commitments and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Investment Facilities.

The effect on net result and equity due to a reasonable possible change in risk variable is outlined in the information provided below, for interest rate risk and other price risk including currency movements. A reasonable possible change in risk variable has been determined after taking into account the economic environment in which Transport for NSW operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance date. The analysis assumes that all other variables remain constant.

Transport for NSW does not enter into commodity contracts.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through Transport for NSW's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings (primarily TCorp) and undertaking interest rate swap derivatives with TCorp. Transport for NSW interest swap arrangements are not designated in an accounting hedge relationship are held for trading and are fair valued through profit and loss.

A reasonably possible change of +/- 1 percent is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Transport for NSW's exposure to interest rate risk is set out in the table below:

	<b>2022</b>	
	<b>\$'000</b>	
	<b>-1%</b>	<b>+1%</b>
Net result	8,443	(8,443)
Equity	8,443	(8,443)
	<b>2021</b>	
	<b>\$'000</b>	
	<b>-1%</b>	<b>+1%</b>
Net result	6,699	(6,699)
Equity	6,699	(6,699)

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

#### (f) Market risk (cont'd)

##### Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Transport for NSW manages its foreign exchange risk by entering into forward exchange contracts in accordance with the Transport for NSW risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily denominated in Euros and US dollars, have been fully hedged using forward contracts that mature on the same dates as the forecast purchase are due for payment. These contracts are designated as cash flow hedges.

Transport for NSW's exposure to foreign exchange risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedge.

A sensitivity of 10 percent movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against other currencies. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

		+10%		-10%	
	Contract value	Net result	Equity	Net result	Equity
<b>As at 30 June 2022</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Denominated in US Dollars	41,698	4,170	-	(4,170)	-
Denominated in Euros	14,777	1,356	121	(1,356)	(121)
<b>Foreign exchange contracts</b>	<b>56,475</b>	<b>5,526</b>	<b>121</b>	<b>(5,526)</b>	<b>(121)</b>
<b>As at 30 June 2021</b>					
Denominated in US Dollars	2,454	245	-	(245)	-
Denominated in Euros	2,408	120	121	(120)	(121)
<b>Foreign exchange contracts</b>	<b>4,862</b>	<b>365</b>	<b>121</b>	<b>(365)</b>	<b>(121)</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

#### (g) Other price risk – TCorpIM Funds

Exposure to 'Other Price Risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. Transport for NSW had no investments held in TCorp IM Funds at 30 June 2022 since TCorpIM Funds were redeemed in the current year and converted to cash following changes to Government Sector Finance Act. Refer to Note 11 for further information.

Transport for NSW had no direct equity investments and held units in the following TCorpIM Funds Trusts:

Fund	Investments	Investment horizon	2022 \$ '000	2021 \$ '000
TCorpIM Medium Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Inflation linked bonds, Fixed interest, Global Credit, High Yield, Multi-Asset	3 years to 7 years	-	88,898
TCorpIM Long Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Fixed interest, Global Credit, High Yield, Multi-Asset	7 years and over	-	45,095
			-	<b>133,993</b>

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.

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

Investment in the TCorpIM Funds limits Transport for NSW's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information. The TCorpIM Funds are measured at fair value through profit and loss and, therefore, any change in unit price impacts directly on net result (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year.

Facility	Change in unit price	Impact on net result/equity	
		2022 \$ '000	2021 \$ '000
TCorpIM Medium Term Growth Fund	+/- 6%	-	5,334
TCorpIM Long Term Growth Fund	+/- 13%	-	5,862

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2022

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

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

<b>As at 30 June 2022</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	48,843	-	48,843
TCorpIM funds	-	-	-	-
<b>Financial assets at fair value</b>	<b>-</b>	<b>48,843</b>	<b>-</b>	<b>48,843</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	473	-	473
<b>Financial liabilities at fair value</b>	<b>-</b>	<b>473</b>	<b>-</b>	<b>473</b>

  

<b>As at 30 June 2021</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	-	-	-
TCorpIM funds	-	133,993	-	133,993
<b>Financial assets at fair value</b>	<b>-</b>	<b>133,993</b>	<b>-</b>	<b>133,993</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	119	-	119
<b>Financial liabilities at fair value</b>	<b>-</b>	<b>119</b>	<b>-</b>	<b>119</b>

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

Level 1 - Derived from quoted prices in active markets for identical assets / liabilities.

Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 - Derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs)

Transport for NSW has assessed the fair value of its foreign exchange derivatives and interest rate swap derivatives on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date. The fair value of the interest rate swap derivative is based on market value at the reporting date.

The fair value of the energy derivative is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

There were no transfers between Level 1, 2 or 3 during the year.

There were no changes in the valuation techniques during the year.

The value of the TCorpIM Funds is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds facilities are valued using 'redemption' pricing.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

#### (i) Fair value compared to carrying amount

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

The following table details the financial instruments, by class, where the fair value differs from the carrying amount:

	2022		2021	
	Fair Value \$000	Carrying Amount \$000	Fair Value \$000	Carrying Amount \$000
Financial Liabilities				
Service concession financial liabilities - CBD & South East Light Rail	1,789,868	1,870,056	2,485,675	2,667,469
	<b>1,789,868</b>	<b>1,870,056</b>	<b>2,485,675</b>	<b>2,667,469</b>

The fair value of service concession financial liabilities is calculated using Transport for NSW's incremental borrowing rates, which is based on TCorp lending rates.

### 31. Related party disclosures

#### a) Key management personnel compensation

During the year, the entity incurred \$7.4 million in respect of the key management personnel services that are provided by the Department of Transport and Transport Service of NSW. The amount incurred excludes long service leave and defined benefit superannuation scheme benefits assumed by the Crown in the right of the State of New South Wales in accordance with NSWTC 16-12 *Related party disclosures*.

	2022 \$'000	2021 \$'000
Salaries and other benefits	7,446	5,841
<b>Total remuneration</b>	<b>7,446</b>	<b>5,841</b>

#### b) Transactions and outstanding balances with key management personnel of the entity and its parent during the financial year

There were no material transactions or outstanding balances with key management personnel of the entity and its parent during the financial year (2021: nil).

#### c) Transactions and outstanding balances with other related parties during the financial year

There were no transactions or outstanding balances with other related parties during the financial year (2021: nil).

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2022

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

#### d) Transactions with government related entities during the financial year

During the financial year ended 30 June 2022, Transport for NSW has entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Grants and contributions from the Crown Finance Entity
- Monthly reimbursements from TAHE for the design and construction of major rail projects
- Loan and corresponding interest from TAHE
- Recoupment of project costs incurred by Transport for NSW on behalf of Sydney Trains, Sydney Metro and Department of Planning and Environment
- Recoupment of services provided to Transport cluster agencies
- Grants paid to various Transport cluster agencies including Sydney Trains, NSW Trains, State Transit Authority, and Sydney Metro
- Sale of asset held for sale and associated prepaid income to Sydney Metro
- Road safety grants paid to NSW Police to support drug and alcohol screening
- Grants paid to Western Sydney Parklands Trust for M12
- Reimbursements to State Transit Authority for bus leases and running costs
- Hire of bus services for major events from State Transit Authority
- Payments for personnel services provided by Transport Service and personnel service revenue for seconded staff from other NSW government agencies
- Rental and accommodation expenses paid to Property NSW
- Equity transfers from/to TAHE to Transport for NSW under the *Transport Administration Act 1988*
- Equity transfers from State Transit Authority (STA) to Transport for NSW under the *Transport Administration Act 1988*
- Equity transfer from Department of Planning and Environment under the *Transport Administration Act 1988*
- Insurance payment to and adjustment from Insurance and Care NSW and the Treasury Managed Fund (TMF)
- Front-line service delivery fees and associated grant revenue from Service NSW
- Pass through of administered funds collected by Transport for NSW on behalf of Insurance and Care NSW
- Reimbursement of funds from Resilience NSW for natural disasters
- Professional services and external works provided/received from various agencies including Sydney Trains, NSW Trains, TAHE, Department of Education and Communication, Department of Planning and Environment, NSW local and Commonwealth general government, Infrastructure NSW, Ministry of Health and NSW Self Insurance Corporation.



## **32. After balance date events**

### **National Heavy Vehicle Regulator (NHVR) transition**

From 1 August 2022, Heavy Vehicle National Law (HVNL) and Heavy Vehicle Inspection Scheme (HVIS) regulatory services were transferred from TfNSW to the National Heavy Vehicle Regulator. As part of the transition process, staff, technology, and assets (both owned and leased) were transferred from TfNSW to the NHVR. There is no material impact on the operating result or carrying values of assets and liabilities as at 30 June 2022 for TfNSW. Following the transition of activities to NHVR, TfNSW no longer receives revenue for these services and instead will pay fees to the NHVR for services provided on TfNSW's behalf. The financial impact resulting from the transfer will be recognised in the year ending 30 June 2023.

**End of audited financial statements.**



## INDEPENDENT AUDITOR'S REPORT

### Transport for NSW

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Transport for NSW, which comprise the Statement by the Secretary, the Statement of comprehensive income for the year ended 30 June 2022, the Statement of financial position as at 30 June 2022, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly Transport for NSW's financial position, financial performance and cash flows.

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

#### Basis for Opinion

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

I am independent of Transport for NSW in accordance with the requirements of the:

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

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

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

#### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2022. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

## Key Audit Matter

## How my audit addressed the matter

### Valuation of property, plant and equipment

At 30 June 2022, Transport for NSW reported \$152 billion in property, plant and equipment measured at fair value. The closing balance of property, plant and equipment includes a net revaluation increment of \$8.1 billion recorded during the year ended 30 June 2022.

I considered this to be a key audit matter because of the:

- financial significance of the property, plant and equipment balances
- extent of significant judgements underpinning key assumptions used in the valuation process
- sensitivity of fair value to changes in key assumptions
- specialised and unique nature of the assets impacting on judgement and complexities with applying AASB 13 'Fair Value Measurement' requirements.

Details on the valuation techniques, inputs and processes for property, plant and equipment are disclosed in Notes 14 and 17.

Key audit procedures included:

- obtained an understanding of Transport NSW's approach to estimating the fair value of property, plant and equipment assets
- assessed the competence, capability and objectivity of experts engaged by Transport for NSW
- assessed significant judgements underpinning key assumptions used in valuing unique and specialised assets
- reviewed the reasonableness of all key assumptions and sensitivity of the conclusions to changes in those assumptions
- assessed the sufficiency and appropriateness of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.

## Other Information

Transport for NSW's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of Transport for NSW is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the annual report.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing Transport for NSW's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar6.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf). The description forms part of my auditor's report.

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

- that Transport for NSW carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Margaret Crawford  
Auditor-General for New South Wales

9 November 2022  
SYDNEY



# **Transport Service of New South Wales**

Annual Financial Statements

for the year ended 30 June 2022

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# Transport Service of New South Wales Statement by the Secretary

for the year ended 30 June 2022

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Pursuant to section 7.6 (4) of the *Government Sector Finance Act 2018*, I declare that, in my opinion:

1. The accompanying financial statements, present fairly the financial position of Transport Service of New South Wales as at 30 June 2022, and the financial performance and cash flows for the year ended on that date.
2. The financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and NSW Treasurer's Directions.



Rob Sharp  
**Secretary**

7 November 2022

## Transport Service of New South Wales Statement of comprehensive income

for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Expenses excluding losses</b>			
Employee related expenses	2(a)	2,510,955	2,255,835
Other operating expenses	2(b)	50	49
<b>Total expenses excluding losses</b>		<b>2,511,005</b>	<b>2,255,884</b>
<b>Revenue</b>			
Grants and contributions	3(c)	50	49
Acceptance by the Crown of employee benefits and other liabilities	3(b)	9,609	41,448
Personnel service revenue	3(a)	2,499,131	2,202,689
<b>Total revenue</b>		<b>2,508,790</b>	<b>2,244,186</b>
<b>Net result</b>		<b>(2,215)</b>	<b>(11,698)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Remeasurement of defined benefit superannuation schemes	7	2,215	11,698
<b>Total other comprehensive income</b>		<b>2,215</b>	<b>11,698</b>
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.



# Transport Service of New South Wales

## Statement of financial position

as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	73,580	31,372
Receivables	5	290,276	501,604
<b>Total current assets</b>		<b>363,856</b>	<b>532,976</b>
<b>Non-current assets</b>			
Receivables	5	31,756	40,393
<b>Total non-current assets</b>		<b>31,756</b>	<b>40,393</b>
<b>Total assets</b>		<b>395,612</b>	<b>573,369</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6	30,330	25,690
Employee benefits	7	335,512	370,032
<b>Total current liabilities</b>		<b>365,842</b>	<b>395,722</b>
<b>Non-current liabilities</b>			
Employee benefits	7	29,770	177,647
<b>Total non-current liabilities</b>		<b>29,770</b>	<b>177,647</b>
<b>Total liabilities</b>		<b>395,612</b>	<b>573,369</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
Accumulated funds	8	-	-
<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 2022

	Notes	Accumulated funds \$ '000	Total equity \$ '000
<b>Balance at 1 July 2021</b>		-	-
<b>Net result for the year</b>		<b>(2,215)</b>	<b>(2,215)</b>
<b>Other comprehensive income</b>			
Remeasurement of defined benefit superannuation schemes	7	2,215	2,215
<b>Total other comprehensive income</b>		<b>2,215</b>	<b>2,215</b>
<b>Total comprehensive income for the year</b>		-	-
<b>Transactions with owners in their capacity as owners</b>			
STA defined benefit superannuation liability transferred to the Crown	8	132,484	132,484
Extinguishment of personnel service receivable due from STA	8	(132,484)	(132,484)
<b>Balance at 30 June 2022</b>		-	-
<b>Balance at 1 July 2020</b>		-	-
<b>Net result for the year</b>		<b>(11,698)</b>	<b>(11,698)</b>
<b>Other comprehensive income</b>			
Remeasurement of defined benefit superannuation schemes	7	11,698	11,698
<b>Total other comprehensive income</b>		<b>11,698</b>	<b>11,698</b>
<b>Balance at 30 June 2021</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 2022

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		(2,555,293)	(2,174,038)
<b>Total payments</b>		<b>(2,555,293)</b>	<b>(2,174,038)</b>
<b>Receipts</b>			
Personnel services		2,597,501	2,154,763
<b>Total receipts</b>		<b>2,597,501</b>	<b>2,154,763</b>
<b>Net cash flows from operating activities</b>	9	<b>42,208</b>	<b>(19,275)</b>
<b>Cash flows from investing activities</b>			
<b>Net cash flows from investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
<b>Net cash flows from financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>42,208</b>	<b>(19,275)</b>
Opening cash and cash equivalents		31,372	50,647
<b>Closing cash and cash equivalents</b>	4	<b>73,580</b>	<b>31,372</b>

The accompanying notes form part of these financial statements.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

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### 1. Summary of significant accounting policies

#### (a) Reporting entity

The Transport Service of New South Wales (Transport Service) was established on 1 November 2011 as a not-for-profit agency (as profit is not its principal objective) to employ staff to enable Transport for NSW, which cannot directly employ staff, to undertake its functions. Transport Service also directly employs staff for State Transit Authority (STA), Sydney Metro, and senior executives of Sydney Trains and NSW Trains.

The salaries and related costs are recovered from the relevant entities to which the employees are assigned except for long service leave and defined benefits superannuation scheme expenses relating to Transport for NSW, Sydney Metro, Sydney Trains and NSW Trains which are assumed by the Crown.

Transport Service is a NSW government entity controlled by the Department of Transport. The financial statements of Transport Service are consolidated in the Department of Transport financial statements and the NSW Total State Sector, which is the ultimate parent. Transport Service is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The financial statements of Transport Service for the year ended 30 June 2022 were authorised for issue by the Secretary on the date the accompanying statement was signed.

#### (b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- Treasurer's Directions issued under the GSF Act.

Financial statements items are prepared in accordance with the historical cost convention except for superannuation. Refer Note 7.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

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

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

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

The judgements, key assumptions and estimates management has made are disclosed in the relevant notes to the financial statements

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

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

#### (d) Statement of compliance

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

#### (e) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

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

##### (i) Effective for the first time in 2022

The accounting policies applied in 2022 are consistent with those of the previous financial year. The amendments and interpretations that apply for the first time in 2022 do not have significant impact on the financial statements of Transport Service.

##### (ii) New Australian Accounting Standards issued but not effective

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

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

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-3 <i>Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022
AASB 2020-1 <i>Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current</i>	1 January 2023
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023
AASB 2020-6 <i>Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	1 January 2022
AASB 2022-3 <i>Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15</i>	1 July 2022
AASB 2022-1 <i>Amendments to the Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information</i>	1 July 2023

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

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

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

#### (g) Impact of COVID-19 on financial reporting for 2022

There is no material impact on the financial statements of Transport Service as a result of the COVID-19 pandemic.

#### (h) Superannuation on annual leave loading

Transport Service has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409*. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 2. Expenses excluding losses

#### (a) Employee related expenses

	2022 \$'000	2021 \$'000
Salaries and wages (including annual leave)	2,117,200	1,900,842
Superannuation - defined benefit plan	8,943	11,742
Superannuation - defined contribution plan	194,132	160,873
Long service leave expense/(expense reversal)	(3,599)	33,075
Workers' compensation insurance	25,292	18,087
Payroll tax and fringe benefit tax	116,327	103,441
Redundancies	51,873	27,027
Other employment benefits	787	748
<b>Employee related expenses</b>	<b>2,510,955</b>	<b>2,255,835</b>

#### (b) Other operating expenses

	2022 \$'000	2021 \$'000
Auditor's remuneration - audit of financial statements	50	49
<b>Other operating expenses</b>	<b>50</b>	<b>49</b>

### 3. Revenue

#### (a) Personnel service revenue

	2022 \$'000	2021 \$'000
Fee for personnel services	2,499,131	2,202,689
<b>Personnel service revenue</b>	<b>2,499,131</b>	<b>2,202,689</b>

#### (b) Acceptance by the Crown of employee benefits and other liabilities

	2022 \$'000	2021 \$'000
Superannuation - defined benefit	10,763	9,020
Long service leave	(1,672)	31,861
Payroll tax	518	567
<b>Acceptance by the Crown of employee benefits and other liabilities</b>	<b>9,609</b>	<b>41,448</b>

#### (c) Grants and contributions

	2022 \$'000	2021 \$'000
Grant from Transport for NSW	50	49
<b>Grants and contributions</b>	<b>50</b>	<b>49</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 3. Revenue (cont'd)

#### Recognition and measurement

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to Transport Service and the income can be reliably measured.

Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

Income from grants (other than contribution by owners) is recognised when the entity obtains control over the contribution. The entity is deemed to have assumed control when the grant is received or receivable.

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer as defined by AASB 15 *Revenue from Contracts with Customers*.

Revenue from rendering of personnel services is recognised when the Entity satisfies the performance obligation by transferring the promised services.

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

### 4. Cash and cash equivalents

	2022 \$'000	2021 \$'000
Cash at bank	73,580	31,372
<b>Cash and cash equivalents</b>	<b>73,580</b>	<b>31,372</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank.

	2022 \$'000	2021 \$'000
Cash and cash equivalents (per statement of financial position)	73,580	31,372
<b>Closing cash and cash equivalents (per statement of cash flows)</b>	<b>73,580</b>	<b>31,372</b>

Refer to Note 10 for details regarding credit risk and market risk arising from financial instruments.

### 5. Receivables

	2022 \$'000	2021 \$'000
Personnel service receivables	289,861	501,604
Workers compensation recoveries	415	-
<b>Current receivables</b>	<b>290,276</b>	<b>501,604</b>
Personnel service receivables	29,904	39,390
Workers compensation recoveries	1,852	1,003
<b>Non-current receivables</b>	<b>31,756</b>	<b>40,393</b>

#### Recognition and measurement

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price.



# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 5. Receivables (cont'd)

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

##### Subsequent measurement

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

##### Impairment

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

The entity first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

### 6. Payables

	Notes	2022 \$'000	2021 \$'000
Accrued salaries, wages and oncosts	7	25,675	22,180
Creditors		4,655	3,510
<b>Current payables</b>		<b>30,330</b>	<b>25,690</b>

#### Recognition and measurement

Payables include accrued salaries and wages and related on-costs (such as payroll tax, fringe benefits tax, workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

## Transport Service of New South Wales Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits

	2022 \$'000	2021 \$'000
Annual leave <sup>1</sup>	254,633	228,678
Long service leave <sup>2</sup>	62,094	117,505
Workers compensation insurance <sup>3</sup>	5,892	4,842
Payroll tax	8,995	7,966
Public holidays	-	281
Severance payments / redundancies	3,898	10,760
<b>Current employee benefits</b>	<b>335,512</b>	<b>370,032</b>
Long service leave <sup>2</sup>	5,872	13,419
Workers compensation insurance <sup>3</sup>	23,898	26,974
Superannuation	-	137,254
<b>Non-current employee benefits</b>	<b>29,770</b>	<b>177,647</b>
Employee benefits - current	335,512	370,032
Employee benefits - non-current	29,770	177,647
Accruals - salaries and on-costs	25,675	22,180
<b>Total employee benefits and related on-costs</b>	<b>390,957</b>	<b>569,859</b>

<sup>1</sup> It is estimated that the provision for annual leave includes an amount of \$125.5 million that is expected to be taken more than 12 months after the balance date (30 June 2021: \$109.2 million).

<sup>2</sup> The provision for long service leave represents consequential costs not assumed by the Crown for Transport for NSW, Sydney Metro, Sydney Trains and NSW Trains as per TC 21/03. The provision also included long service leave and associated consequential costs for STA Employment Group. It is estimated that the current provision for long service leave includes an amount of \$17.7 million that is expected to be taken more than 12 months after the balance date (30 June 2021: \$111.1 million).

<sup>3</sup> Includes STA employees' self-insurance arrangement for workers compensation.

Due to the transfer of STA operations, Transport Service made payments of \$70.4 million to the private operators to settle the STA region 7,8 and 9 employees' annual leave liabilities and long service leave liabilities in the current financial year.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

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### 7. Employee benefits (cont'd)

#### Recognition and measurement

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

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although simplified 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 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Transport Service has assessed the actuarial advice based on Transport Service's circumstances and has determined that the effect of discounting is immaterial to annual leave.

All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

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

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

Transport Services' liabilities for long service leave and defined benefit superannuation are either assumed by the Crown or the entity itself.

For liabilities that are assumed by the Crown, Transport Service accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of employee benefits and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense recognised in the Statement of comprehensive income comprises:

- defined contribution plans, the expense is calculated as a percentage of the employees' salary
- defined benefit plans, the expense is a multiple of the employees' superannuation contributions as specified in the Treasury Circular "Accounting for Superannuation" (NSW TC 18/10).

When liabilities are assumed by Transport Service, they are recognised in the Statement of financial position and measured as follows:

- long service leave is measured as the present value of expected future payments to be made in respect of employee's service up to the reporting date, in accordance with AASB 119 *Employee Benefits*. This is based on an actuarial assessment. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service
- contributions to defined contribution plans are expensed when incurred. The superannuation expense is calculated as a percentage of the employee's salary. A liability is recognised only to the extent of unpaid employer contributions at reporting date

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

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### 7. Employee benefits (cont'd)

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

##### (ii) Long service leave and superannuation (cont'd)

- for defined benefit plans, actuarial valuations are carried out at each reporting date by Mercer and the actuarial gains and losses are recognised outside of the net result in other comprehensive income in the year in which they occur. Expenses are recognised based on service costs plus net interest on the net liability or asset for the reporting period as calculated and advised by Mercer. A net liability or asset is recognised based on the difference between the present value of Transport Services' defined benefit obligations and the fair value of fund assets as at the reporting date, as adjusted for any asset ceiling. The net liability or asset is actuarially determined.

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

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

#### Defined benefit superannuation overview for STA Employment Group

This overview only relates to the STA Employment Group whose defined benefit superannuation schemes were assumed by the Crown as at 6 December 2021 (refer Note 8).

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

An underfunded scheme is recognised as a provision and an overfunded scheme is recognised as an asset. Details of both provisions and assets are given below. All paragraph references following pertain to AASB 119 *Employee Benefits*.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

On 6 December 2021, all defined benefits superannuation liabilities were transferred to the Crown. The following was the 30 June 2021 position:

Year ended 30 June 2021	SASS	SANCS	SSS	Total
<b>Member numbers</b>				
Contributors	131	131	-	
Deferred benefits	-	-	-	
Pensioners	225	-	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)	251,058	9,009	19,734	279,801
Estimated reserve account balance	(114,359)	(14,638)	(13,550)	(142,547)
<b>Deficit/(surplus)</b>	<b>136,699</b>	<b>(5,629)</b>	<b>6,184</b>	<b>137,254</b>
Future service liability (Note 2)	1,501	1,900	-	3,401
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>136,699</b>	<b>(5,629)</b>	<b>6,184</b>	<b>137,254</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).

- **Nature of the benefits provided by the fund – Para 139(a)(i)**

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

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the schemes are closed to new members.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

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### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- **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 2021.

- **Description of other entities' responsibilities for the governance of the fund – Para 139(a)(iii)**

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

- administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules
- management and investment of the fund assets, and
- compliance with other applicable regulations.

- **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.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Description of significant events – Para 139(c)

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

- Reconciliation of the net defined benefit liability/(asset) – Para 140(a)

Year ended 30 June 2022	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of year	136,699	(5,629)	6,184	137,254
Current service cost	382	141	-	523
Net interest on the net defined benefit liability/(asset)	844	(36)	38	846
Actual return on fund assets less interest income	(3,091)	(410)	(401)	(3,902)
Actuarial (gains)/losses arising from changes in financial assumptions	2,916	(32)	419	3,303
Actuarial (gains)/losses from liability experience	(1,034)	(756)	174	(1,616)
Employer contributions	(630)	(104)	-	(734)
Transfers out – external party	(2,960)	(230)	-	(3,190)
Transfer out to the Crown	(133,126)	7,056	(6,414)	(132,484)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of year	153,170	(3,407)	9,454	159,217
Current service cost	1,018	376	-	1,394
Net interest on the net defined benefit liability/(asset)	1,277	(31)	82	1,328
Actual return on fund assets less interest income	(12,009)	(1,639)	(1,495)	(15,143)
Actuarial (gains)/losses arising from changes in financial assumptions	(10,393)	(525)	(905)	(11,823)
Actuarial (gains)/losses from liability experience	2,456	(232)	(810)	1,414
Employer contributions	(12,701)	(285)	-	(12,986)
Actuarial (gains)/losses arising from changes in demographic assumptions	13,881	114	(142)	13,853
(Gains)/losses arising from settlements	-	-	-	-
<b>Net defined benefit liability/(asset) at end of year</b>	<b>136,699</b>	<b>(5,629)</b>	<b>6,184</b>	<b>137,254</b>

- Reconciliation of the fair value of fund assets – Para 140(a)(i)

Year ended 30 June 2022	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at the beginning of the year	114,358	14,638	13,550	142,546
Interest income	644	85	85	814
Actual return on fund assets less interest income	3,091	410	401	3,902
Employer contributions	630	104	-	734
Contributions by participants	298	-	-	298
Benefits paid	(11,727)	(844)	(339)	(12,910)
Transfers out – external party	(11,874)	(1,218)	-	(13,092)
Transfer out to the Crown	(95,420)	(13,175)	(13,697)	(122,292)
<b>Fair value of fund assets at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Reconciliation of the fair value of fund assets – Para 140(a)(i) (cont'd)

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at the beginning of the year	104,293	14,123	12,684	131,100
Interest income	880	117	106	1,103
Actual return on fund assets less interest income	12,009	1,639	1,495	15,143
Employer contributions	12,702	285	-	12,987
Contributions by participants	795	-	-	795
Benefits paid	(17,296)	(1,620)	(888)	(19,804)
Taxes, premiums & expenses paid	975	94	153	1,222
<b>Fair value of fund assets at end of the year</b>	<b>114,358</b>	<b>14,638</b>	<b>13,550</b>	<b>142,546</b>

- Reconciliation of the defined benefit obligation – Para 140(a)(ii)

Year ended 30 June 2022	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligation at beginning of the year	251,057	9,009	19,734	279,800
Current service cost	382	141	-	523
Interest cost	1,488	49	123	1,660
Contributions by participants	298	-	-	298
Actuarial (gains)/losses arising from changes in financial assumptions	2,916	(32)	419	3,303
Actuarial (gains)/losses arising from liability experience	(1,034)	(756)	174	(1,616)
Benefits paid	(11,727)	(844)	(339)	(12,910)
Transfer out to the Crown	(228,546)	(6,119)	(20,111)	(254,776)
Transfers out – external party	(14,834)	(1,448)	-	(16,282)
<b>Present value of defined benefit obligations at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligation at beginning of the year	257,463	10,716	22,138	290,317
Current service cost	1,018	376	-	1,394
Interest cost	2,158	86	189	2,433
Contributions by participants	795	-	-	795
Actuarial (gains)/losses arising from changes in demographic assumptions	13,881	114	(143)	13,852
Actuarial (gains)/losses arising from changes in financial assumptions	(10,393)	(525)	(905)	(11,823)
Actuarial (gains)/losses arising from liability experience	2,456	(232)	(810)	1,414
Benefits paid	(17,296)	(1,620)	(888)	(19,804)
Taxes, premiums & expenses paid	975	94	153	1,222
<b>Present value of defined benefit obligations at end of the year</b>	<b>251,057</b>	<b>9,009</b>	<b>19,734</b>	<b>279,800</b>



# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Fair value of fund assets – Para 142**

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

On 6 December 2021, all defined benefits superannuation liabilities were transferred to the Crown. The following was the 30 June 2021 position:

	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant observable inputs	Level 3 Unobservable inputs
Year ended 30 June 2021	\$'M	\$'M	\$'M	\$'M
Short term securities	5,109	2,399	2,710	-
Australian fixed interest	904	-	904	-
International fixed interest	1,755	45	1,710	-
Australian equities	8,310	8,308	2	-
International equities	13,890	13,885	5	-
Property	3,288	627	-	2,661
Alternatives	8,530	1	2,710	5,819
<b>Total</b>	<b>41,786</b>	<b>25,265</b>	<b>8,041</b>	<b>8,480</b>

The percentage invested in each asset class at 30 June 2021 was:

	2021 %
Short term securities	12.2
Australian fixed interest	2.2
International fixed interest	4.2
Australian equities	19.9
International equities	33.2
Property	7.9
Alternatives	20.4
<b>Total</b>	<b>100.0</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Fair value of fund assets - Para 142 (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 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 cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

#### Fair value of entity's own financial instruments – Para 143

The fair value of the pooled fund assets as at 30 June 2021 included \$41.4 million in NSW government bonds. Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupied part of a property 100% owned by the Pooled Fund with a fair value of \$328.0 million as at 30 June 2021
- Health Administration Corporation occupied part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$443.0 million as at 30 June 2021.

- **Significant actuarial assumptions at the reporting date - Para 144**

	<b>2021</b>
Discount rate	1.5% pa
Salary increase rate (excluding promotional increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter
Pensioner mortality	as per the 2021 Actuarial Investigation of the Pooled Fund.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Sensitivity analysis – Para 145**

The entity's total defined benefit obligation as at 30 June 2021 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 2021.

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

Year ended 30 June 2021	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	as above	as above less 0.05% pa	as above plus 0.05% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	279,801	296,277	264,869
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	279,801	294,345	266,506
	Base case	Scenario E +0.5% rate of salary increase	Scenario F -0.5% rate of salary increase
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)	279,801	281,501	278,155
	Base case	Scenario G Higher mortality rates*	Scenario H Lower mortality rates**
Defined benefit obligation (A\$'000)	279,801	281,730	275,789

\*Assumes the short term pensioner mortality improvement factors for years 2021-2026 also apply for years after 2026.

\*\*Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2021 to 2026.

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

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Sensitivity analysis – Para 145 (cont'd)**

In light of the prior year environment due to COVID-19, there was increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, we note that the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, we have shown sensitivities to this assumption for the AASB 1056 results in the table below (results for 2020 shown for comparative purposes).

Scenarios A and B relate to sensitivity of the total accrued benefits figure shown in the AASB 1056 results.

Year ended 30 June 2021	Base case	Scenario A -0.5 % discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	6.5%	6.0%	7.0%
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.7% pa	5.2% pa	6.2% pa
Rate of CPI increase	2.0% pa	as base case	as base case
Salary inflation rate	2.74% pa	as base case	as base case
Accrued benefit (A\$'000)	170,573	176,192	165,361

- **Asset-liability matching strategies - Para 146**

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

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Funding arrangements - Para 147(a)**

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

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

- Surplus/deficit**

The following is a summary of the 30 June 2021 financial position of the Fund calculated in accordance with AASB 1056 "Superannuation Entities":

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	151,710	8,124	10,739	170,573
Net market value of fund assets	(114,359)	(14,638)	(13,550)	(142,547)
<b>Net (surplus)/deficit</b>	<b>37,351</b>	<b>(6,514)</b>	<b>(2,811)</b>	<b>28,026</b>

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

- Contribution recommendations**

Year ended 30 June 2021	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contributions rates were:			
STA Employment Group	2.2	2.5	-

- Economic assumptions**

The economic assumptions adopted for the 30 June 2021 AASB 1056 "Superannuation entities" were as follows:

Weighted-average assumptions	2021 % p.a.
Expected rate of return on fund assets backing current pension liabilities	6.5% pa
Expected rate of return on fund assets backing other liabilities	5.7% pa
Expected salary increase rate	2.74% pa
(excluding promotional salary increases)	21/22 to 25/26; 3.2% pa thereafter
Expected rate of CPI increase	2.0% pa

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Expected contributions - Para 147(b)

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected employer contributions	1,516	252	-	1,768

- Maturity profile of defined benefit obligation – Para 147(c)

The weighted average duration of the defined benefit obligation was 11.4 years as at 30 June 2021.

- Net result impact

Year ended 30 June 2022	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	382	141	-	523
Net interest	844	(36)	38	846
(Gains)/Loss on settlement	-	-	-	-
<b>Defined benefit cost</b>	<b>1,226</b>	<b>105</b>	<b>38</b>	<b>1,369</b>

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	1,018	376	-	1,394
Net interest	1,277	(31)	82	1,328
(Gains)/Loss on settlement	-	-	-	-
<b>Defined benefit cost</b>	<b>2,295</b>	<b>345</b>	<b>82</b>	<b>2,722</b>

- Other comprehensive income

Year ended 30 June 2022	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains)/losses on liabilities	1,882	(788)	593	1,687
Actual return on fund asset less interest income	(3,091)	(410)	(401)	(3,902)
<b>Total remeasurement in other comprehensive income</b>	<b>(1,209)</b>	<b>(1,198)</b>	<b>192</b>	<b>(2,215)</b>

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains)/losses on liabilities	5,945	(642)	(1,858)	3,445
Actual return on fund assets less interest income	(12,009)	(1,639)	(1,495)	(15,143)
<b>Total remeasurement in other comprehensive income</b>	<b>(6,064)</b>	<b>(2,281)</b>	<b>(3,353)</b>	<b>(11,698)</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 8. Equity transfers

	2022 \$'000	2021 \$'000
STA defined benefit superannuation liability transferred to the Crown	132,484	-
Extinguishment of personnel service receivable due from STA	(132,484)	-
<b>Equity transfers</b>	<b>-</b>	<b>-</b>

#### Recognition and Measurement

Equity transfers represent the transfer of net assets / liabilities between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated funds". This treatment is consistent with NSW Treasury Policy and Guidelines Paper Accounting Policy: Contribution by owners made to wholly-owned public sector entities (TPP 21-08), 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.

On 6 December 2021, the Crown agreed to meet any shortfalls in the STA Employment Group defined benefit superannuation balances due to the transfer of STA's bus operations to private operators during the year. As such, the Treasurer concurred with an equity transfer of the remaining STA defined benefits superannuation liabilities to the Crown, as at 6 December 2021.

Personnel service receivables due from STA of \$132.5 million relating to the STA Employment Group defined benefit superannuation balances were also extinguished through an equity adjustment following the transfer of the underlying liabilities to the Crown.

### 9. Reconciliation of net cash flows from operating activities to net result

	2022 \$'000	2021 \$'000
Net cash flows from operating activities	42,208	(19,275)
Non cash acceptance by the Crown of employee entitlements	9,609	41,448
Non cash expense (long service leave and superannuation assumed by the Crown)	(9,609)	(41,448)
Actuarial losses	(2,215)	(11,698)
(Decrease)/increase in receivables	(219,965)	47,975
Increase in payables	(4,640)	(2,450)
Decrease/(increase) in employee benefits	182,397	(26,250)
<b>Net result</b>	<b>(2,215)</b>	<b>(11,698)</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

### 10. Financial instruments

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

The reporting entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of the reporting entity do not expose it to a variety of financial risks such as credit, liquidity or market risk. The main risks arising from any financial instrument of the reporting entity are outlined below together with the reporting entity's objectives, policies and processes for measuring and managing the risks.

Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary of the reporting entity has overall responsibility for the establishment and oversight of risk management and review and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the entity on a continuous basis.

#### (a) Financial instrument categories

	Note	Category	Carrying amount 2022 \$'000	Carrying amount 2021 \$'000
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	4	N/A	73,580	31,372
Receivables <sup>1</sup>	5	Financial assets (at amortised cost)	322,032	540,994
Total			<b>395,612</b>	<b>572,366</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables <sup>2</sup>	6	Financial liabilities (at amortised cost)	30,330	25,051
Total			<b>30,330</b>	<b>25,051</b>

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB7)

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

#### (b) Derecognition of financial assets and financial liabilities

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

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

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

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



# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

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

#### (c) Credit risk

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

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions.

Credit risk impacts on the following financial instruments which are discussed below:

#### (i) Cash

Cash comprises bank balances within the NSW Treasury Banking System.

#### (ii) Receivables – personnel service receivables

All personnel service receivables are recognised as amounts receivable at balance date. Personnel service receivables are employee related. All debtors are NSW government agencies and no debtor balances are considered impaired as at 30 June 2022.

#### (d) Liquidity risk

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

During the current and prior year, there were no defaults of loans payables and no assets have been pledged as collateral.

	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
2022 Payables:								
Accrued salaries, wages and on-costs	-	25,675	-	-	25,675	25,675	-	-
Creditors	-	2,901	-	-	2,901	2,901	-	-
<b>Total</b>	-	<b>28,576</b>	-	-	<b>28,576</b>	<b>28,576</b>	-	-
2021 Payables:								
Accrued salaries, wages and on-costs	-	22,180	-	-	22,180	22,180	-	-
Creditors	-	5	-	-	5	5	-	-
<b>Payables</b>	-	<b>22,185</b>	-	-	<b>22,185</b>	<b>22,185</b>	-	-
<b>Total</b>	-	<b>22,185</b>	-	-	<b>22,185</b>	<b>22,185</b>	-	-

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2022

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

#### (e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The entity has no exposure to foreign currency risk and does not enter into commodity contracts.

#### (f) Fair value compared to carrying amount

Financial instruments are recognised at amortised cost. The carrying value of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

### 11. Related party disclosures

#### (a) Key management personnel compensation

All of the entity's key management personnel compensation are borne by Transport for NSW.

#### (b) Transactions with government related entities during the financial year

All transactions and outstanding balances in these financial statements relate to the entity's function as provider of personnel services to Transport for NSW, Sydney Trains, NSW Trains, Sydney Metro, and STA. Transport Service and these fellow entities are members of the Department of Transport consolidated entity group.

Long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW, Sydney Metro, Sydney Trains and NSW Trains staff employed by Transport Service were assumed by the Crown. On 6 December 2021, the remaining STA Employment Group defined benefit superannuation net liabilities were transferred to the Crown through an equity transfer. The related personnel service receivable was also extinguished through an equity adjustment.

#### (c) Transactions and outstanding balances with other related parties during the financial year

There were no transactions or outstanding balances with other related parties during the financial year (2021: no transactions or outstanding balances).

### 12. Contingent liabilities and contingent assets

Transport Service had no contingent liabilities or contingent assets at 30 June 2022 or 30 June 2021.

### 13. After balance date events

From 1 August 2022, Heavy Vehicle National Law (HVNL) and Heavy Vehicle Inspection Scheme (HVIS) regulatory services were transferred from Transport for NSW to the National Heavy Vehicle Regulator, along with 307 employees who previously performed those services. The arrangements are not expected to have a material impact on the financial statements of Transport Service.

**End of audited financial statements.**



## INDEPENDENT AUDITOR'S REPORT

### Transport Service of New South Wales

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Transport Service of New South Wales (the Service), which comprises the Statement by the Secretary, the Statement of comprehensive income for the year ended 30 June 2022, the Statement of financial position as at 30 June 2022, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Service's financial position, financial performance and cash flows.

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

#### Basis for Opinion

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

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

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

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

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

#### The Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Service's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

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

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

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

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



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

8 November 2022  
SYDNEY



# **Sydney Ferries**

Annual Financial Statements

for the year ended 30 June 2022

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**Sydney Ferries**  
**Statement by the Chief Executive**  
for the year ended 30 June 2022

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Pursuant to Section 7.6 (4) of the *Government Sector Finance Act 2018*, I declare that, in my opinion:

- 1) The accompanying financial statements, present fairly the financial position of Sydney Ferries as at 30 June 2022, and the financial performance and cash flows 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 *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* 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.



**Trudi Mares**  
**Acting Chief Executive**

**7 October 2022**

**Sydney Ferries**  
**Statement of comprehensive income**

for the year ended 30 June 2022

	Notes	2022 Actual \$'000	2021 Actual \$'000
<b>Expenses excluding losses</b>			
Operating expenses			
Other operating expenses	2(a)	2,492	2,092
Depreciation and amortisation	2(b)	9,855	11,307
Finance costs	2(c)	9	11
<b>Total expenses excluding losses</b>		<b>12,356</b>	<b>13,410</b>
<b>Revenue</b>			
Operational revenue	3(a)	5,404	5,722
Investment revenue	3(b)	67	77
Grants and contributions	3(c)	23,229	-
Other income	3(d)	1,280	1,892
<b>Total revenue</b>		<b>29,980</b>	<b>7,691</b>
Other gains	4	13,833	519
<b>Net result</b>		<b>31,457</b>	<b>(5,200)</b>
<b>Other comprehensive income</b>			
Changes in revaluation surplus of property, plant and equipment	7(b)	4,585	-
<b>Total other comprehensive income</b>		<b>4,585</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>36,042</b>	<b>(5,200)</b>

The accompanying notes form part of these financial statements.



**Sydney Ferries**  
**Statement of financial position**

as at 30 June 2022

	Notes	Actual 2022 \$'000	Actual 2021 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	62,372	42,283
Receivables	6	971	953
<b>Total current assets</b>		<b>63,343</b>	<b>43,236</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	98,721	82,258
Intangible assets	8	27,327	26,391
Right of use assets	9	394	480
<b>Total non-current assets</b>		<b>126,442</b>	<b>109,129</b>
<b>Total assets</b>		<b>189,785</b>	<b>152,365</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	5,371	4,936
Borrowings	12	84	79
Provisions	13	1,724	1,537
Other liabilities	14	1,758	2,023
<b>Total current liabilities</b>		<b>8,937</b>	<b>8,575</b>
<b>Non-current liabilities</b>			
Borrowings	12	346	430
Provisions	13	1,100	-
<b>Total non-current liabilities</b>		<b>1,446</b>	<b>430</b>
<b>Total liabilities</b>		<b>10,383</b>	<b>9,005</b>
<b>Net assets</b>		<b>179,402</b>	<b>143,360</b>
<b>EQUITY</b>			
Accumulated funds		167,329	135,872
Reserves		12,073	7,488
<b>Total equity</b>		<b>179,402</b>	<b>143,360</b>

The accompanying notes form part of these financial statements.

## Sydney Ferries Statement of changes in equity

for the year ended 30 June 2022

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	Accumulated funds \$'000	Asset revaluation surplus \$'000	Total equity \$'000
<b>Balance at 1 July 2021</b>	<b>135,872</b>	<b>7,488</b>	<b>143,360</b>
<b>Net result for the year</b>	<b>31,457</b>	<b>-</b>	<b>31,457</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>4,585</b>	<b>4,585</b>
<b>Total comprehensive income for the year</b>	<b>31,457</b>	<b>4,585</b>	<b>36,042</b>
<b>Balance at 30 June 2022</b>	<b>167,329</b>	<b>12,073</b>	<b>179,402</b>
<b>Balance at 1 July 2020</b>	<b>141,072</b>	<b>7,488</b>	<b>148,560</b>
<b>Net result for the year</b>	<b>(5,200)</b>	<b>-</b>	<b>(5,200)</b>
<b>Total comprehensive income for the year</b>	<b>(5,200)</b>	<b>-</b>	<b>(5,200)</b>
<b>Balance at 30 June 2021</b>	<b>135,872</b>	<b>7,488</b>	<b>143,360</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of cash flows**  
for the year ended 30 June 2022

	Notes	Actual 2022 \$'000	Actual 2021 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Payments to former employees		(361)	(403)
Finance costs		(9)	(11)
Payments to suppliers		(400)	(1,791)
<b>Total payments</b>		<b>(770)</b>	<b>(2,205)</b>
<b>Receipts</b>			
Operational revenue		4,864	5,722
Interest received		67	77
Grants and contributions		23,229	-
<b>Total receipts</b>		<b>28,160</b>	<b>5,799</b>
<b>Net cash flows from operating activities</b>	18	<b>27,390</b>	<b>3,594</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangible assets		(7,222)	(12,215)
<b>Net cash flows from investing activities</b>		<b>(7,222)</b>	<b>(12,215)</b>
<b>Cash flows from financing activities</b>			
Payment of principal portion of lease liabilities		(79)	(74)
<b>Net cash flows from financing activities</b>		<b>(79)</b>	<b>(74)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>20,089</b>	<b>(8,695)</b>
Opening cash and cash equivalents		42,283	50,978
<b>Closing cash and cash equivalents</b>	5	<b>62,372</b>	<b>42,283</b>

The accompanying notes form part of these financial statements.

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2022

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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 NSW Government Agency pursuant to Section 2.4(1)(i) of the *Government Sector Finance Act 2018* and is a controlled entity of Transport for NSW (TfNSW).

TfNSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector (ultimate parent).

Sydney Ferries was initially established to deliver public ferry services in Sydney. On 3 May 2012 the Minister for Transport announced that Harbour City Ferries (HCF) was awarded a contract to operate ferry services on Port Jackson and the Parramatta River for seven years under a new Ferry System Contract between HCF and TfNSW. The contract commenced on 28 July 2012. On 27 February 2019, the Minister for Transport and Infrastructure announced that Transdev Sydney Ferries (formerly operating as HCF) was awarded the contract to continue operating ferry services in Sydney from 28 July 2019. Transdev Sydney Ferries leases the vessels, land and buildings from Sydney Ferries. The initial contract term is for 9 years, with options for termination at year 5 and at year 8 at TfNSW's discretion.

The financial statements for the year ended 30 June 2022 were authorised for issue by the Acting Chief Executive on the date on which the accompanying Statement by the Chief Executive was signed.

#### (b) Basis of preparation

The financial statements of Sydney Ferries have been prepared as general purpose financial statements on an accrual basis in accordance with:

- applicable Australian Accounting Standards and Interpretations
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- NSW Treasurer's Directions issued under the GSF Act.

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 using the fair value basis.

#### (e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognised in the period in which the estimate is revised and in any future periods affected.

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 2022

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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) Taxes

##### (i) Accounting for Goods and Services Tax (GST)

In relation to GST, revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by Sydney Ferries as a purchaser is not recoverable from the Australian Taxation Office. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

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

##### (ii) Income Tax

NSW Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime for Government Businesses (Treasury Policy Paper 03-4). Accordingly, tax effect accounting is not prepared.

##### (iii) State taxes

Sydney Ferries is exempt from land tax.

#### (g) Comparatives

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

#### (h) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being Sydney Ferries' operational cycle. In the case of liabilities where Sydney Ferries does not have the unconditional right to defer settlement beyond 12 months, the liability is classified as current even if not expected to be settled within the next 12 months.

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

##### (i) Effective for the first time in 2022

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of Sydney Ferries.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

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

**(ii) New Australian Accounting Standards issued but not yet effective**

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

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

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

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 January 2022
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022
AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	1 January 2022
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023
AASB 2021-5 <i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
AASB 2021-6 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i>	1 January 2023
AASB 2021-7a <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2022
AASB 2021-7b <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2023
AASB 2021-7c <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2025
AASB 17 <i>Insurance Contracts</i>	1 January 2023
AASB 2022-1 <i>Amendments to the Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information</i>	1 January 2023
AASB 2022-3 <i>Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15</i>	1 July 2022

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

**(j) Impact of COVID-19 on financial reporting for 2022**

There is no material impact on the financial statements of Sydney Ferries as a result of the COVID-19 pandemic.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(k) Superannuation on annual leave loading**

Sydney Ferries has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409*. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period. This position will be re-assessed in future reporting periods as new information comes to light on this matter.

**2. Expenses excluding losses**

**(a) Other operating expenses**

	2022 \$'000	2021 \$'000
Auditor's remuneration - audit of financial statements	44	47
General expenses	11	7
Disposal costs*	1,559	1,537
Maintenance	428	19
Administration	450	482
<b>Other operating expenses</b>	<b>2,492</b>	<b>2,092</b>

\* Disposal costs relate to provisions recognised for disposal of ferries that are no longer in service or will be retired from service in the next 12 months and greater than 12 months of 30 June (refer to note 13).

**(b) Depreciation and amortisation**

	Notes	2022 \$'000	2021 \$'000
Buildings		434	433
Ferries		8,013	9,855
Plant and equipment		184	184
<b>Depreciation</b>		<b>8,631</b>	<b>10,472</b>
<b>Depreciation property, plant and equipment</b>	7	<b>8,631</b>	<b>10,472</b>
Right of use asset - land and buildings		86	86
<b>Depreciation right of use assets</b>	9(a)	<b>86</b>	<b>86</b>
<b>Depreciation</b>		<b>8,717</b>	<b>10,558</b>
Computer software		1,138	749
<b>Amortisation</b>	8	<b>1,138</b>	<b>749</b>
<b>Depreciation and amortisation</b>		<b>9,855</b>	<b>11,307</b>

**(c) Finance costs**

	Notes	2022 \$'000	2021 \$'000
Interest expense from lease liabilities	9(b)	9	11
<b>Finance costs</b>		<b>9</b>	<b>11</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Recognition and measurement**

**(i) Insurance**

Sydney Ferries is a member of the NSW Treasury Managed Fund. Coverage includes, but is not limited to: (a) legal liability inclusive of public liability, professional indemnity, directors & officers and product liability; and (b) personal accident for voluntary workers.

Transdev has appropriate insurance to cover public liability, physical damage, business interruption, and other exposures arising out of normal business operations.

**(ii) 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.

**(iii) Finance costs**

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred.

**3. Revenue**

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

	2022 \$'000	2021 \$'000
Ferry lease revenue	5,404	5,722
<b>Sale of goods and services from contracts with customers</b>	<b>5,404</b>	<b>5,722</b>

**(b) Investment revenue**

	2022 \$'000	2021 \$'000
Interest income	67	77
<b>Investment revenue</b>	<b>67</b>	<b>77</b>

**(c) Grants and contributions**

	2022 \$'000	2021 \$'000
Grants from Transport for NSW	23,229	-
<b>Grants and contributions</b>	<b>23,229</b>	<b>-</b>

**(d) Other income**

	2022 \$'000	2021 \$'000
Major periodic maintenance revenue	1,280	1,892
<b>Other income</b>	<b>1,280</b>	<b>1,892</b>



**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**Recognition and measurement**

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* (AASB 15) or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15. The accounting policies for the income recognition are discussed below.

Revenue is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Revenue is not recognised unless receipt is probable and the amount is reliably measureable. Revenue is recognised on major income categories as follows:

**(i) Lease revenue**

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

**(ii) Investment revenue**

Interest revenue is recognised in the Statement of comprehensive income as it accrues, using the effective interest method.

**(iii) Grants to acquire/construct a recognisable non-financial asset**

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

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

**(iv) Major periodic maintenance (MPM) revenue**

MPM revenue relates to major refit work performed by the ferry service operator (Transdev) on vessels owned by Sydney Ferries. MPM revenue is recognised in line with performance of work undertaken by Transdev. When the work on each vessel is completed, the costs are capitalised to property, plant & equipment and equivalent non-cash MPM revenue recognised. Note 7 Recognition and measurement (vi) contains further information about the recognition of dry docking assets.

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

	Notes	2022 \$'000	2021 \$'000
Net revaluation increment recognised in net result	7	12,894	-
Impairment (losses)/reversals on property, plant and equipment	7	(522)	2,344
Impairment reversals/(losses) on right to receive assets	8	1,461	(1,825)
<b>Other gains</b>		<b>13,833</b>	<b>519</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**5. Cash and cash equivalents**

	2022 \$'000	2021 \$'000
Cash at bank and on hand	62,372	42,283
<b>Cash and cash equivalents</b>	<b>62,372</b>	<b>42,283</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial year to the Statement of cash flows as follows:

	2022 \$'000	2021 \$'000
Cash and cash equivalents (per Statement of financial position)	62,372	42,283
<b>Cash and cash equivalents (per Statement of cash flows)</b>	<b>62,372</b>	<b>42,283</b>

**Recognition and measurement**

Cash is carried at its principal amount and is subject to an insignificant risk of changes in value. Cash includes cash at bank and cash on hand.

**6. Receivables**

	2022 \$'000	2021 \$'000
<b>Current receivables</b>		
Trade debtors	495	-
Goods and Services Tax recoverable	468	946
Prepayments	8	7
<b>Current receivables</b>	<b>971</b>	<b>953</b>

**Recognition and measurement**

**(i) Receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

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

**(ii) Impairment of financial assets**

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

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

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**7. Property, plant and equipment**

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

	Land and buildings \$'000	Plant and equipment \$'000	Ferries \$'000	Assets under construction \$'000	Total ferries \$'000	Total property, plant and equipment \$'000
<b>At 30 June 2022</b>						
At fair value – Gross carrying amount	27,115	5,508	380,545	1,506	382,051	414,674
Accumulated depreciation and impairment	(13,896)	(1,740)	(300,317)	-	(300,317)	(315,953)
<b>Net carrying amount</b>	<b>13,219</b>	<b>3,768</b>	<b>80,228</b>	<b>1,506</b>	<b>81,734</b>	<b>98,721</b>
<b>At 30 June 2021</b>						
At fair value – Gross carrying amount	22,530	5,508	311,920	935	312,855	340,893
Accumulated depreciation and impairment	(13,462)	(1,556)	(243,617)	-	(243,617)	(258,635)
<b>Net carrying amount</b>	<b>9,068</b>	<b>3,952</b>	<b>68,303</b>	<b>935</b>	<b>69,238</b>	<b>82,258</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(b) Reconciliation of total property, plant and equipment**

Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

<b>At 30 June 2022</b>		<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Ferries</b>	<b>Assets under construction</b>	<b>Total ferries</b>	<b>Total property, plant and equipment</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Net carrying amount at beginning of the year</b>		<b>9,068</b>	<b>3,952</b>	<b>68,303</b>	<b>935</b>	<b>69,238</b>	<b>82,258</b>
Additions		-	-	-	6,857	6,857	6,857
Major periodic maintenance additions		-	-	-	1,280	1,280	1,280
Reclassification between PPE classes		-	-	7,044	(7,044)	-	-
Net increase in asset revaluation reserve		4,585	-	-	-	-	4,585
Revaluation increment through profit and loss	4	-	-	12,894	-	12,894	12,894
Impairment losses	4	-	-	-	(522)	(522)	(522)
Depreciation expense	2(b)	(434)	(184)	(8,013)	-	(8,013)	(8,631)
<b>Net carrying amount at 30 June 2022</b>		<b>13,219</b>	<b>3,768</b>	<b>80,228</b>	<b>1,506</b>	<b>81,734</b>	<b>98,721</b>

<b>At 30 June 2021</b>		<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Ferries</b>	<b>Assets under construction</b>	<b>Total ferries</b>	<b>Total property, plant and equipment</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Net carrying amount at the beginning of the year</b>		<b>9,501</b>	<b>4,136</b>	<b>62,359</b>	<b>1,636</b>	<b>63,995</b>	<b>77,632</b>
Additions		-	-	-	10,862	10,862	10,862
Major periodic maintenance additions		-	-	-	1,892	1,892	1,892
Reclassification between PPE classes		-	-	13,455	(13,455)	-	-
Impairment reversals	4	-	-	2,344	-	2,344	2,344
Depreciation expense	2(b)	(433)	(184)	(9,855)	-	(9,855)	(10,472)
<b>Net carrying amount at 30 June 2021</b>		<b>9,068</b>	<b>3,952</b>	<b>68,303</b>	<b>935</b>	<b>69,238</b>	<b>82,258</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

**(b) Reconciliation of total property, plant and equipment (cont'd)**

The net carrying amount of service concession assets included in property, plant and equipment is \$98.7 million as at 30 June 2022 (30 June 2021: \$82.3 million). This includes land and buildings \$13.2 million (30 June 2021: \$9.1 million), plant and equipment \$3.8 million (30 June 2021: \$4.0 million) and ferries \$81.7 million (30 June 2021: \$69.2 million).

**Estimates:**

Management assesses whether there is any indication that an asset may be impaired based on the estimated usage of the assets and other factors at each reporting date.

**Valuations:**

- (a) Property, plant and equipment were revalued in accordance with the basis of valuation set out below.  
(b) The following non-current assets were independently valued by registered valuers:

<b>Class of assets</b>	<b>Date of valuation</b>	<b>Registered valuers</b>
Land and buildings	30-Jun-20	Preston Rowe Paterson Sydney Pty. Ltd.
Ferries	30-Jun-18	Rodney Hyman Asset Services Pty. Ltd.

**Sydney Ferries**  
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**7. Property, plant and equipment (cont'd)**

**(c) Service concession assets**

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

Based on Sydney Ferries' assessment, the following arrangement falls within the scope of AASB 1059:

<b>Description</b>	<b>Service concession arrangement</b>
Name & description of the SCA	Ferry system contract (contract to operate ferry services in Sydney)
Period of the arrangement	The period of the arrangement commenced on 28 July 2019 for a period of 9 years with options for termination at year 5 and at year 8 at TfNSW's discretion
Terms of the arrangement	The private operator uses ferries and other assets owned by Sydney Ferries to provide ferry services to public commuters.  The main service contract is entered into between the operator and TfNSW. Sydney Ferries (as the asset owner) has entered into leases with the operator for the existing fleet and shipyard.
Rights and obligations	The operator is responsible for the provision of end-to-end ferry services including planning, managing and operating Sydney Ferries services on Sydney Harbour and along the Parramatta River.  The Operator will: a) Plan and schedule ferry services, subject to TfNSW guidelines and oversight; b) Deliver ferry services for customers; c) Maintain the leased fleet, Balmain Shipyard and other infrastructure; and d) Hand back all leased assets at the end of term at the required standard.  Sydney Ferries is responsible for providing the operator with access to the core assets to provide ferry services.
Changes in arrangements occurred during the year ended 30 June 2021	None
Changes in arrangements occurred during the year ended 30 June 2022	None

**Sydney Ferries**  
**Notes to the financial statements**  
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**7. Property, plant and equipment (cont'd)**

**Recognition and measurement**

**(i) Acquisition of assets and capitalisation threshold**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Sydney Ferries. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash equivalent. The deferred payment amount is effectively discounted at an asset-specific rate.

Property, plant and equipment costing \$5,000 or more individually and having a minimum expected useful life of one year or more is capitalised.

Major spares purchased specifically for particular assets or class of assets are, at the time of acquisition, included in the cost of the assets and depreciated accordingly.

**(ii) Service concession assets – property, plant and equipment**

The carrying amount of service concession assets included within property, plant and equipment are set out below. The service concession assets are in relation to the Ferry system contract detailed above (note 7(c)).

	Land and buildings \$ '000	Plant and equipment \$'000	Ferries \$ '000	Assets under construction \$ '000	Total ferries \$ '000	Total property, plant and equipment \$ '000
<b>At 30 June 2022</b>						
Net carrying amount	13,219	3,768	80,228	1,506	81,734	98,721
<b>At 30 June 2021</b>						
Net carrying amount	9,068	3,952	68,303	935	69,238	82,258

**(a) Initial recognition**

For arrangements within the scope of AASB 1059, Sydney Ferries recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of Sydney Ferries, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

**(b) Subsequent to initial recognition**

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment*, and AASB 136 *Impairment of Assets*.

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

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

#### **(ii) Service concession assets – property, plant and equipment (cont'd)**

(c) At the end of the arrangement

At the end of the service concession arrangement:

- Sydney Ferries accounts for the asset in accordance with other Australian Accounting Standards (AAS), with the entity reclassifying the asset based on its nature or function
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 116.

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

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP21-09). 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.

Current replacement cost of property, plant and equipment is based on a market participants' perspective, using valuation techniques that maximise relevant observable inputs and minimise unobservable inputs. Refer to Note 10 for further information regarding fair value.

Sydney Ferries revalue land and buildings at least once every three years and each other class of property, plant and equipment at least five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last comprehensive revaluation of ferries was completed on 30 June 2018; comprehensive revaluations of freehold land, buildings and improvements were undertaken on 30 June 2020.

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ materially from carrying value. Generally, an interim revaluation is performed by management if the cumulative changes in indicators/indices are less than 20 per cent. An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 20 per cent. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20 per cent.

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 a gain in the net result.



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

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

#### **(iii) Revaluation of property, plant and equipment (cont'd)**

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

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

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

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

The current replacement cost is used to revalue specialised buildings (designed for specific limited purposes), infrastructure systems and certain plant and equipment. Current replacement cost for these types of assets is based on "incremental optimised replacement cost". Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components.

For vessels which are specialised assets, current replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits.

Land is revalued using the market approach. The market approach is consistent with the current replacement cost approach to land measurement, as the market approach represents the amount a buyer would pay, in the market, to replace the service potential of the asset.

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

When revaluing non-current assets 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.

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

In respect of a not-for-profit entity, value in use is the current replacement cost. Hence an impairment loss is unlikely to arise on any of Sydney Ferries' assets because the carrying amount (usually optimised replacement cost) is unlikely to exceed the recoverable amount. For vessels (which are specialised assets) held for sale, an impairment loss would arise when they are valued at market value and not disposed of in the same financial year.

**Sydney Ferries**  
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**7. Property, plant and equipment (cont'd)**

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

**(iv) Impairment of property, plant and equipment (cont'd)**

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

**(v) Depreciation of property, plant and equipment**

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to Sydney Ferries. Property, plant and equipment, excluding freehold land and work in progress, are depreciated over their estimated useful lives as follows:

<b>Asset Class</b>	<b>Life</b>	<b>Method</b>
Freehold buildings	40 Yrs	Straight Line
Plant and equipment	3 to 30 Yrs	Straight Line
Ferries	20 to 50 Yrs	Straight Line

**(vi) Dry docking**

As part of the long-term maintenance program for the fleet, all vessels undergo a major refit (dry docking) on a regular basis (at least every 5 years). The cost of these dockings are capitalised and depreciated over the period to the subsequent docking.

**8. Intangible assets**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Plant and equipment	3,558	3,354
Intangibles	3,279	1,845
Leasehold improvements	8,259	9,078
Inventory (including fuel)	10,045	9,403
<b>Right to receive assets</b>	<b>25,141</b>	<b>23,680</b>
<b>Computer software</b>	<b>1,348</b>	<b>2,486</b>
<b>Work in Progress</b>	<b>838</b>	<b>225</b>
<b>Total Intangible assets</b>	<b>27,327</b>	<b>26,391</b>

The contract with Transdev for the provision of ferry services provides for assets to be returned to Sydney Ferries at the end of the contract. Those assets have been brought to account as a right to receive intangible asset.

**Sydney Ferries**  
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**8. Intangible assets (cont'd)**

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 assets \$'000	Computer software \$'000	Work in progress \$'000	Total \$'000
Cost (gross carrying amount)	34,106	3,414	838	38,358
Accumulated amortisation and impairment	(8,965)	(2,066)	-	(11,031)
<b>Net carrying amount at 30 June 2022</b>	<b>25,141</b>	<b>1,348</b>	<b>838</b>	<b>27,327</b>
Cost (gross carrying amount)	34,106	3,901	225	38,232
Accumulated amortisation and impairment	(10,426)	(1,415)	-	(11,841)
<b>Net carrying amount at 30 June 2021</b>	<b>23,680</b>	<b>2,486</b>	<b>225</b>	<b>26,391</b>

**Reconciliation**

	Notes	Right to receive assets \$'000	Computer software \$'000	Work in progress \$'000	Total \$'000
Net carrying amount at the beginning of the year		23,680	2,486	225	26,391
Additions		-	-	613	613
Impairment reversals	4	1,461	-	-	1,461
Amortisation	2(b)	-	(1,138)	-	(1,138)
<b>Net carrying amount at 30 June 2022</b>		<b>25,141</b>	<b>1,348</b>	<b>838</b>	<b>27,327</b>
Net carrying amount at the beginning of the year		25,505	898	697	27,100
Additions		-	1,640	225	1,865
Reclassifications between PPE classes		-	697	(697)	-
Impairment losses	4	(1,825)	-	-	(1,825)
Amortisation	2(b)	-	(749)	-	(749)
<b>Net carrying amount at 30 June 2021</b>		<b>23,680</b>	<b>2,486</b>	<b>225</b>	<b>26,391</b>

The net carrying amount of service concession assets included in intangibles is \$27.3 million as at 30 June 2022 (30 June 2021: \$26.4 million). This includes right to receive assets \$25.1 million (30 June 2021: \$23.7 million), computer software \$1.3 million (30 June 2021: \$2.5 million) and work in progress \$0.8 million (30 June 2021: \$0.2 million). Sydney Ferries' only service concession arrangement is described in note 7(c).

**Recognition and measurement**

**(i) Right to receive**

Sydney Ferries recognises the right to receive ferry spare parts, inventory and fuel stocks that Transdev, under its contract, must return at the end of that contract. The ferry systems contract (refer note 7(c)) requires that all assets used in the provision of the ferry services are maintained in a condition that enables the services to be delivered throughout the contract, including the maintenance of a fit for purpose spares pool.

Transdev advises Sydney Ferries of the value of the right to receive assets as at 30 June each year based on the amount and relevant values of fuel and each inventory item at the reporting date. Given the regular maintenance and replenishment of these assets, their carrying value is broadly equivalent to the amount that would be required to replace the service capacity of those assets (i.e. current replacement cost). The advice from Transdev is used for the purpose of assessing impairment to the right to receive assets as at 30 June each year.

**Sydney Ferries**  
**Notes to the financial statements**  
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**8. Intangible assets (cont'd)**

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

**(ii) Computer software**

Computer software is specialised ferry software that facilitates receiving, storing and processing real-time ferry service and customer information. Computer software, being service concession assets (note 8(v)), are initially recognised and subsequently measured at current replacement cost. Given the useful life and specialised nature of the computer software, the depreciated cost is broadly equivalent to current replacement cost. Computer software is amortised using the straight-line method over a period of three years.

**(iii) Work in progress**

Work in progress relates to new software being developed to improve ferry service performance reporting and facilitate real-time processing of ferry service information. Costs relating to intangibles that are under construction or are otherwise incomplete are shown as work in progress (note 8) and are not amortised until the assets are brought into service.

**(iv) Impairment of intangibles**

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

**(v) Service concession assets – intangibles**

The carrying amount of service concession assets included within intangibles are set out below. The service concession assets are in relation to the Ferry system contract detailed above (note 7(c)).

	Right to receive assets \$'000	Computer software \$'000	Work in progress \$'000	Total \$'000
<b>At 30 June 2022</b>				
Net carrying amount	25,141	1,348	838	27,327
<b>At 30 June 2021</b>				
Net carrying amount	23,680	2,486	225	26,391

**(a) Initial recognition**

For arrangements within the scope of AASB 1059, Sydney Ferries recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of Sydney Ferries, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

**(b) Subsequent to initial recognition**

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 138 *Intangible assets* (AASB 138), and AASB 136 *Impairment of Assets*.

**Sydney Ferries**  
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**8. Intangible assets (cont'd)**

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

(v) **Service concession assets – intangibles (cont'd)**

(c) At the end of the arrangement

At the end of the service concession arrangement:

- Sydney Ferries accounts for the asset in accordance with other Australian Accounting Standards, with the entity reclassifying the asset based on its nature or function
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 138.

**9. Leases**

**Entity as a lessee**

Sydney Ferries leases property from TfNSW. The lease contract is for a fixed periods of 20 years with no extension options. The lease agreement does not impose any covenants, and the leased assets may not be used as security for borrowing purposes. Sydney Ferries does not provide residual value guarantees in relation to leases.

(a) **Right of use assets under leases**

The following table presents right of use assets that do not meet the definition of investment property.

	Right of use land \$'000	Total \$'000
<b>Balance at 1 July 2021</b>	480	480
Depreciation expense	(86)	(86)
<b>Balance at 30 June 2022</b>	<b>394</b>	<b>394</b>
<b>Balance at 1 July 2020</b>	<b>566</b>	<b>566</b>
Depreciation expense	(86)	(86)
<b>Balance at 30 June 2021</b>	<b>480</b>	<b>480</b>

The net carrying amount of service concession assets included in right of use assets under leases is \$0.4 million as at 30 June 2022 (30 June 2021: \$0.5 million). Sydney Ferries' only service concession arrangement is described in note 7(c).

(b) **Lease liabilities**

The following table presents liabilities under leases.

	2022 \$'000	2021 \$'000
<b>Balance at start of year</b>	509	583
Interest expenses	9	11
Payments	(88)	(85)
<b>Balance at 30 June</b>	<b>430</b>	<b>509</b>

Sydney Ferries had total cash outflows for leases of \$0.1 million in the year ended 30 June 2022 (30 June 2021: \$0.1 million)

**Sydney Ferries**  
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**9. Leases (cont'd)**

**Entity as a lessee (cont'd)**

**(c) Comprehensive income**

The following amounts were recognised in the Statement of comprehensive income for the year ending 30 June in respect of leases where Sydney Ferries is the lessee:

	<b>Notes</b>	<b>2022 \$'000</b>	<b>2021 \$'000</b>
Depreciation expense of right of use assets	2(b)	86	86
Interest expense on lease liabilities	2(c)	9	11
<b>Total amount recognised in the Statement of comprehensive income</b>		<b>95</b>	<b>97</b>

**Recognition and measurement**

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

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

**i) Right of use assets**

Sydney Ferries recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are initially measured at the amount of initial measurement of the lease liability (refer to 9(c)(ii)), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right of use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings: 20 years

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

## 9. Leases (cont'd)

### Entity as a lessee (cont'd)

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

##### ii) Service concession assets – right of use assets

###### (a) Initial recognition

As part of the Ferry system service concession arrangement Transdev has been granted access to the property assets leased from TfNSW. For these assets in scope of AASB 1059, Sydney Ferries recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of Sydney Ferries, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

###### (b) Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 16 *Leases* (AASB 16) and AASB 136 *Impairment of Assets*.

###### (c) At the end of the arrangement

At the end of the service concession arrangement:

- Sydney Ferries accounts for the asset in accordance with other Australian Accounting Standards, with the entity reclassifying the asset based on its nature or function
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 16.

##### iii) Lease liabilities

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

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

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

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

**Sydney Ferries**  
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**9. Leases (cont'd)**

**Entity as a lessee (cont'd)**

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

**iii) Lease liabilities (cont'd)**

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

Sydney Ferries' lease liabilities are included in borrowings (note 12).

**10. Fair value measurement of non-financial assets**

**(a) Fair value hierarchy**

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

30 June 2022		Level 1	Level 2	Level 3	Property, plant and equipment
	Notes	\$'000	\$'000	\$'000	\$'000
Land and buildings	7	-	-	13,219	13,219
Ferries	7	-	-	80,228	80,228
<b>Property, plant and equipment</b>		-	-	<b>93,447</b>	<b>93,447</b>

30 June 2021		Level 1	Level 2	Level 3	Property, plant and equipment
	Notes	\$'000	\$'000	\$'000	\$'000
Land and buildings	7	-	-	9,068	9,068
Ferries	7	-	-	68,303	68,303
<b>Property, plant and equipment</b>		-	-	<b>77,371</b>	<b>77,371</b>

**Recognition and measurement**

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

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

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



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

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

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

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

Refer to Note 19 for disclosures regarding fair value measurements of financial assets.

### **(b) Valuation processes**

Sydney Ferries obtains independent valuations for its land and building assets at least every 3 years and for its other non-financial assets at least every 5 years.

Sydney Ferries engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of land and buildings was conducted by Preston Rowe Paterson Sydney Pty. Ltd. for 30 June 2020. A comprehensive valuation of ferries was conducted by Rodney Hyman Asset Services Pty Ltd (RHAS) at 30 June 2018, using an optimised replacement cost approach.

### **(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. Sydney Ferries considers information from a variety of other sources and uses specific valuation techniques including:

- current prices in an active market for land assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences
- current replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits
- construction costs incurred by the entity
- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions.

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

The main level 2 and level 3 inputs used by the valuers for property, plant and equipment are as follows:

- Land – rate range per square metre of land area is determined by the external valuer using the comparable commercial land sales evidence, which resulted in the rate range, then adjusted for the specific attributes of the subject land, including its location adjacent to a residential precinct, difficult heavy vehicle access, proximity to the waterfront, access to harbour views, shape, topography and other factors. The mid-point of such range is used to calculate the value of the land by multiplying the land area in square meter.
- Building – replacement cost of buildings has been used to work out the value, with reference to Rawlinsons Australian Construction Handbook building cost guide. The figures then are adjusted with building cost inflation applicable. The current replacement cost with reference to the straight-line method of depreciation was then taken in account, where appropriate estimates of each building assets useful life and remaining useful life were considered.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

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

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

**(c) Valuation techniques and input (cont'd)**

- 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 based on the applicable Australian Accounting Standards.

**(d) Reconciliation of recurring Level 3 fair value measurements**

	Land and buildings \$'000	Ferries \$'000	Total \$'000
Fair value at start of year	9,068	68,303	77,371
Additions	-	7,044	7,044
Net increase in asset revaluation reserve	4,585	-	4,585
Revaluation increment through profit and loss	-	12,894	12,894
Depreciation	(434)	(8,013)	(8,447)
<b>Fair value as at 30 June 2022</b>	<b>13,219</b>	<b>80,228</b>	<b>93,447</b>

	Land and buildings \$'000	Ferries \$'000	Total \$'000
Fair value at start of year	9,501	62,359	71,860
Additions	-	13,455	13,455
Reversal of impairment losses on ferries assets	-	2,344	2,344
Depreciation	(433)	(9,855)	(10,288)
<b>Fair value as at 30 June 2021</b>	<b>9,068</b>	<b>68,303</b>	<b>77,371</b>

**11. Payables**

	2022 \$'000	2021 \$'000
Accrued expenses	5,326	4,847
Other creditors	45	89
<b>Current payables</b>	<b>5,371</b>	<b>4,936</b>

**Recognition and measurement**

Payables represent liabilities for goods and services provided to the entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

## 12. Borrowings

	2022 \$'000	2021 \$'000
Lease liabilities	84	79
<b>Current borrowings</b>	<b>84</b>	<b>79</b>
Lease liabilities (non-current)	346	430
<b>Non-current borrowings</b>	<b>346</b>	<b>430</b>

### Repayment of borrowings

	2022 \$'000	2021 \$'000
Not later than one year	84	79
Later than one year and not later than five years	346	369
Later than five years	-	61
<b>Repayment of borrowings</b>	<b>430</b>	<b>509</b>

### Recognition and measurement

For recognition and measurement of lease liabilities please refer to Note 9.

## 13. Provisions

	2022 \$'000	2021 \$'000
Provision for disposal of property, plant and equipment	1,724	1,537
<b>Current provisions</b>	<b>1,724</b>	<b>1,537</b>
Provision for disposal of property, plant and equipment	1,100	-
<b>Non-current provisions</b>	<b>1,100</b>	<b>-</b>

The provision for disposal of property, plant and equipment reflects the estimated costs of disposal of three ferries (2021: six ferries). All of these vessels are no longer in service and will be disposed of or sold within twelve months or later.

### Movement in provisions

	2022 \$'000	2021 \$'000
Carrying amount at start of year	1,537	637
Additional provision recognised	2,212	1,537
Unused amounts reversed	(625)	-
Amount used	(300)	(637)
<b>Net carrying amount at 30 June</b>	<b>2,824</b>	<b>1,537</b>

### Recognition and measurement

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

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**14. Other liabilities**

	2022 \$'000	2021 \$'000
Liability for former employees' leave entitlements	1,758	2,023
<b>Current other liabilities</b>	<b>1,758</b>	<b>2,023</b>

**Recognition and measurement**

**Liability for former employees' leave entitlements**

Liability for former employees' leave entitlements include amounts brought to account for the leave amounts owing to Transdev for former Sydney Ferries employees, not including superannuation for leave taken in service.

Liabilities for leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

**15. Equity and reserves**

**(i) Asset revaluation reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with Sydney Ferries policy on the revaluation of property, plant and equipment as discussed in note 7. Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve).

**(ii) Accumulated funds**

The category "Accumulated funds" includes all current and prior period retained funds.

**16. Commitments**

	2022 \$'000	2021 \$'000
<b>Capital commitments</b>		
Aggregate capital commitments for property, plant & equipment contracted for at reporting date and not provided for:		
Not later than one year	31,164	22,370
Later than one year and not later than five years	29,744	19,934
<b>Total (including GST)</b>	<b>60,908</b>	<b>42,304</b>

Net GST payable \$5.5 million (2021: \$3.8 million) to the Australian Taxation Office is included above.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**17. Contingent liabilities and contingent assets**

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 2022 and 30 June 2021.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Sydney Ferries had no contingent assets as at 30 June 2022 and 30 June 2021.

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

**(a) Reconciliation of net cash flows from operating activities to net result**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash inflows from operating activities	27,390	3,594
Depreciation and amortisation	(9,855)	(11,307)
Other non-cash items	1,530	2,404
Impairment reversals	939	519
Revaluation increment of assets	12,894	-
Increase in receivables	19	583
Increase in payables and provisions	(1,724)	(1,244)
Decrease in other liabilities	264	251
<b>Reconciliation to net result</b>	<b>31,457</b>	<b>(5,200)</b>

**(b) Non-cash financing and investing activities**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Net revaluation increment on ferries assets	12,894	-
Impairment (losses)/ reversals on property, plant and equipment	(522)	2,344
Major periodic maintenance work by Transdev	1,280	1,892
<b>Non-cash financing and investing activities</b>	<b>13,652</b>	<b>4,236</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**19. Financial instruments**

Sydney Ferries' principal financial instruments are outlined below. These financial instruments arise directly from Sydney Ferries' operations or are required to finance Sydney Ferries' operations. Sydney Ferries does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Sydney Ferries' main risks arising from financial instruments are outlined below, together with the Sydney Ferries' objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

Risk management policies are established to identify and analyse the risks faced by Sydney Ferries, to set risk limits and control and monitor risks. Compliance with policies is reviewed by Management on a continuous basis. There have been no changes to Sydney Ferries' exposure to credit, liquidity, market and interest rate risk or objectives, policies and processes for managing the risk and the methods used to measure the risks from the prior year.

**(a) Financial instrument categories**

<b>Class</b>	<b>Note</b>	<b>Category</b>	<b>Carrying amount 2022 \$'000</b>	<b>Carrying amount 2021 \$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	5	N/A	62,372	42,283
			<b>62,372</b>	<b>42,283</b>
<b>Financial liabilities</b>				
Payables	11	Financial liabilities measured at amortised cost*	4,870	4,418
Borrowings	12	Financial liabilities measured at amortised cost	430	509
Other liabilities	14	Financial liabilities measured at amortised cost	1,758	2,023
			<b>7,058</b>	<b>6,950</b>

\*Excludes statutory payables which are not within the scope of AASB 7.

**Recognition and measurement**

**De-recognition of financial assets and financial liabilities**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the contractual rights to the cash flows from the financial assets expire; or if Sydney Ferries transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:

- substantially all the risks and rewards have been transferred
- the agency has not transferred substantially all the risks and rewards, but has transferred control.

When Sydney Ferries has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where Sydney Ferries has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Sydney Ferries continuing involvement in the asset.

A financial liability is de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

## Sydney Ferries

### Notes to the financial statements

for the year ended 30 June 2022

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

##### (b) Credit risk

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

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

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

##### (i) Cash

Cash comprises cash at bank and cash on hand within the NSW Treasury banking systems. The interest rate applied is the Reserve Bank of Australia target cash rate.

##### (ii) Receivables

At the end of the reporting period there were no significant concentrations of credit risk. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. Sydney Ferries' maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the statement of financial position.

	Government \$'000	Other \$'000	Total \$'000
<b>2022</b>			
Receivables	-	495	495
<b>Total receivables</b>	-	<b>495</b>	<b>495</b>
<b>2021</b>			
Receivables	-	-	-
<b>Total receivables</b>	-	-	-

At 30 June 2022, Sydney Ferries had \$0.5 million trade debtors (2021: nil) that were neither past due nor impaired. There are no debtors whose terms have been re-negotiated.

##### (c) Liquidity risk

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

No assets have been pledged as collateral. Sydney Ferries' exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12 *Payments of Accounts*. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**19. Financial instruments (cont'd)**

**(c) Liquidity risk (cont'd)**

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

**(i) Maturity analysis and interest rate exposure of financial liabilities**

	Weighted average effective int. rate (%)	Nominal amount <sup>1</sup>	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non- interest bearing	< 1 year	1 - 5 years	> 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>								
Accrued expenses		4,870	-	-	4,870	4,870	-	-
Borrowings	2.00	450	-	450	-	91	359	-
Other liabilities		1,758	-	-	1,758	1,758	-	-
		<b>7,078</b>	-	<b>450</b>	<b>6,628</b>	<b>6,719</b>	<b>359</b>	-
<b>2021</b>								
Accrued expenses	-	4,418	-	-	4,418	4,418	-	-
Total borrowings	2.00	538	-	538	-	88	389	61
Other liabilities	-	2,023	-	-	2,023	2,023	-	-
		<b>6,979</b>	-	<b>538</b>	<b>6,441</b>	<b>6,529</b>	<b>389</b>	<b>61</b>

1. Nominal amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which Sydney Ferries can be required to pay. Therefore the amounts disclosed may not reconcile to the Statement of financial position.



**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2022

**19. Financial instruments (cont'd)**

**(d) Fair value**

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, largely due to the short-term nature of many of the financial instruments.

**(e) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Sydney Ferries has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in the interest rate is outlined in the information below. A reasonably possible change in the interest rate has been determined after taking into account the economic environment in which Sydney Ferries operates and the time frame for the assessment (that is, until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the end of the reporting period. The analysis is performed on the same basis as for 2021. The analysis assumes that all other variables remain constant.

**Interest rate risk**

Interest rate risk is the risk that the value of fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Sydney Ferries exposure to interest rate risk is set out in the table below:

**Sensitivity analysis**

2022			-1%		+1%	
	Carrying amount \$'000	Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000	
<b>Financial assets</b>						
Cash and cash equivalents	62,372	(624)	(624)	624	624	
<b>Financial liabilities</b>						
Borrowings	430	(4)	(4)	4	4	
<b>2021</b>			-1%		+1%	
	Carrying amount \$'000	Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000	
<b>Financial assets</b>						
Cash and cash equivalents	42,283	(423)	(423)	423	423	
<b>Financial liabilities</b>						
Borrowings	509	(5)	(5)	5	5	

## **20. Related party disclosure**

### **(a) Key management personnel compensation**

Sydney Ferries' key management personnel compensation is borne by TfNSW.

### **(b) Transactions with government related entities during the financial year**

During the 2022 financial year, Sydney Ferries transacted with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Payments (capital and operational expenditure) made to TfNSW
- Interest revenue earned from the Treasury Banking System
- Audit fee payments made to the Audit Office of NSW
- Grants received from TfNSW to acquire or construct non-financial assets.

## **21. After balance date events**

No events have occurred after the balance date that would have a material impact on the financial statements.

### **End of audited financial statements**



## INDEPENDENT AUDITOR'S REPORT

### 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 by the Chief Executive, the Statement of comprehensive income for the year ended 30 June 2022, the Statement of financial position as at 30 June 2022, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly Sydney Ferries' financial position, financial performance and cash flows.

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

#### Basis for Opinion

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

I am independent of Sydney Ferries in accordance with the requirements of the:

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

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

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

## **The Chief Executive's Responsibilities for the Financial Statements**

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing Sydney Ferries' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

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

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

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

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



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

12 October 2022  
SYDNEY

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