

Transport for NSW

# 2014-15 Annual Report

Volume 2



# Transport for NSW Annual Report – Volume 2

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## Overview

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

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

## Accessibility

Transport for NSW has attempted to make this document compliant with Web Content Accessibility Guidelines 2.0 however, if you experience difficulty in accessing this content please contact Elyse Naylor, Manager Statutory Accounting, 02 8202 3146 [elyse.naylor@transport.nsw.gov.au](mailto:elyse.naylor@transport.nsw.gov.au).



## INDEPENDENT AUDITOR'S REPORT

### Department of Transport

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Department of Transport (the Department), which comprise the statements of financial position as at 30 June 2015, the statements of comprehensive income, the statements of changes in equity, the statements of cash flows, the service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

### Opinion

In my opinion, the financial statements:

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

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

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

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

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Department or the consolidated entity
- that they carried out their activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



S Stanton  
Acting Deputy Auditor-General

16 October 2015  
SYDNEY



## **Department of Transport**

Consolidated Annual Financial Statements

for the year ended 30 June 2015

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# Department of Transport

Statement by the Secretary  
for the year ended 30 June 2015

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

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



Tim Reardon  
Secretary

Date: 14 October 2015

**Department of Transport**  
Statement of comprehensive income  
for the year ended 30 June 2015

	Notes	Consolidated Actual 2015 \$'000	Consolidated Actual 2014 \$'000	Parent Actual 2015 \$'000	Parent Actual 2014 \$'000
<b>Expenses excluding losses</b>					
Operating expenses					
Employee related expenses	2(a)	2,922,145	2,776,061	1,370	11,401
Other operating expenses	2(b)	1,572,453	1,401,570	235	229
Maintenance	2(c)	1,291,428	1,564,211	-	-
Depreciation and amortisation	2(d)	2,839,267	2,598,498	-	-
Grants and subsidies	2(e)	551,647	673,003	-	-
Finance costs	2(f)	330,797	328,241	-	-
Other expenses	2(g)	974,866	994,630	-	-
<b>Total expenses excluding losses</b>		<b>10,482,603</b>	<b>10,336,214</b>	<b>1,605</b>	<b>11,630</b>
<b>Revenue</b>					
Recurrent appropriation	3(a)	8,592,327	7,971,109	-	-
Capital appropriation	3(b)	2,572,766	2,261,580	-	-
Sale of goods and services	3(c)	2,025,569	1,910,591	-	-
Investment revenue	3(d)	154,378	141,932	-	-
Other revenue	3(e)	425,204	264,854	-	-
Retained taxes, fees and fines	3(f)	29,689	29,889	-	-
Grants and contributions	3(g)	688,883	1,010,282	235	230
Acceptance by the Crown Entity of employee benefits and other liabilities	3(h)	37,532	33,470	(102)	(48)
Personnel services revenue	3(i)	-	-	1,472	11,448
<b>Total revenue</b>		<b>14,526,348</b>	<b>13,623,707</b>	<b>1,605</b>	<b>11,630</b>
<b>Gain / (loss) on disposal</b>	4	(207,591)	105,481	-	-
<b>Other gains / (losses)</b>	5	(215,430)	(812,378)	-	-
<b>Net result</b>		<b>3,620,724</b>	<b>2,580,596</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to net result</b>					
Net increase in asset revaluation reserve	13	4,022,662	2,778,358	-	-
Remeasurement of defined benefit superannuation schemes	19	(3,938)	(26,714)	-	-
<b>Items that may be reclassified subsequently to net result</b>					
Net loss in commodity swaps and foreign exchange		(1,676)	(545)	-	-
<b>Total other comprehensive income</b>		<b>4,017,048</b>	<b>2,751,099</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>7,637,772</b>	<b>5,331,695</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.



# Department of Transport

## Statement of financial position

as at 30 June 2015

	Notes	Consolidated Actual 2015 \$'000	Consolidated Actual 2014 \$'000	Parent Actual 2015 \$'000	Parent Actual 2014 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	1,814,689	1,447,794	930	17,087
Receivables	8	522,686	476,988	22	811
Inventories	9	44,330	47,360	-	-
Financial assets at fair value	10	65,336	59,297	-	-
Non-current assets held for sale	11	19,623	34,420	-	-
Other financial assets	12	499	-	-	-
<b>Total current assets</b>		<b>2,467,163</b>	<b>2,065,859</b>	<b>952</b>	<b>17,898</b>
<b>Non-current assets</b>					
Receivables	8	42,200	34,579	-	-
Inventories	9	18,334	33,580	-	-
Financial assets at fair value	10	643	194	-	-
Other financial assets	12	520,888	178,278	-	-
Property, plant and equipment					
Land and buildings	13	3,802,103	3,391,649	-	-
Infrastructure systems	13	103,650,387	96,415,207	-	-
Plant and equipment	13	6,547,150	6,785,026	-	-
Total property, plant and equipment		<b>113,999,640</b>	<b>106,591,882</b>	-	-
Intangible assets	14	1,159,651	879,780	-	-
Other assets	15	1,437,515	1,231,469	-	-
<b>Total non-current assets</b>		<b>117,178,871</b>	<b>108,949,762</b>	-	-
<b>Total Assets</b>		<b>119,646,034</b>	<b>111,015,621</b>	<b>952</b>	<b>17,898</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	17	2,113,843	2,076,124	725	16,998
Borrowings	18	674,611	1,341,067	-	-
Employee benefits	19	910,316	927,198	227	900
Other provisions	20	95,769	61,670	-	-
Other liabilities	21	280,196	223,094	-	-
Financial liabilities at fair value	22	6,173	3,895	-	-
<b>Total current liabilities</b>		<b>4,080,908</b>	<b>4,633,048</b>	<b>952</b>	<b>17,898</b>
<b>Non-current liabilities</b>					
Borrowings	18	4,424,579	3,862,254	-	-
Employee benefits	19	2,163,285	2,107,110	-	-
Other provisions	20	62,840	70,356	-	-
Other liabilities	21	668,192	324,899	-	-
Financial liabilities at fair value	22	1,107	108	-	-
<b>Total non-current liabilities</b>		<b>7,320,003</b>	<b>6,364,727</b>	-	-
<b>Total Liabilities</b>		<b>11,400,911</b>	<b>10,997,775</b>	<b>952</b>	<b>17,898</b>
<b>Net assets</b>		<b>108,245,123</b>	<b>100,017,846</b>	-	-
<b>EQUITY</b>					
Reserves		20,924,551	17,022,187	-	-
Accumulated funds		87,320,572	82,995,659	-	-
<b>Total equity</b>		<b>108,245,123</b>	<b>100,017,846</b>	-	-

The accompanying notes form part of these financial statements.

## Department of Transport

Statement of changes in equity  
for the year ended 30 June 2015

Consolidated	Notes	Accumulated funds \$'000	Asset revaluation surplus \$'000	Hedging gains & losses reserves \$'000	Total \$'000
<b>Balance as at 1 July 2014</b>		<b>82,995,659</b>	<b>17,025,410</b>	<b>(3,223)</b>	<b>100,017,846</b>
<b>Net result for the year</b>		<b>3,620,724</b>	<b>-</b>	<b>-</b>	<b>3,620,724</b>
<b>Other comprehensive income:</b>					
Net loss in hedging contracts		-	-	(1,676)	(1,676)
Net increase in asset revaluation reserve	13	-	4,022,662	-	4,022,662
Remeasurement of defined benefit superannuation schemes	19	(3,938)	-	-	(3,938)
<b>Total other comprehensive income</b>		<b>(3,938)</b>	<b>4,022,662</b>	<b>(1,676)</b>	<b>4,017,048</b>
<b>Total comprehensive income for the year</b>		<b>3,616,786</b>	<b>4,022,662</b>	<b>(1,676)</b>	<b>7,637,772</b>
<b>Transactions with owners in their capacity as owners</b>					
Transfers to / (from) reserves to accumulated funds		118,622	(118,622)	-	-
Equity transfers	30	589,505	-	-	589,505
<b>Balance at 30 June 2015</b>		<b>87,320,572</b>	<b>20,929,450</b>	<b>(4,899)</b>	<b>108,245,123</b>
<b>Balance at 1 July 2013</b>		<b>80,424,028</b>	<b>14,473,794</b>	<b>(2,678)</b>	<b>94,895,144</b>
Changes in accounting policy		(245,444)	-	-	(245,444)
<b>Restated total equity as at 1 July 2013</b>		<b>80,178,584</b>	<b>14,473,794</b>	<b>(2,678)</b>	<b>94,649,700</b>
<b>Net result for the year</b>		<b>2,580,596</b>	<b>-</b>	<b>-</b>	<b>2,580,596</b>
<b>Other comprehensive income:</b>					
Net loss in hedging contracts		-	-	(545)	(545)
Net increase in asset revaluation reserve	13	-	2,778,358	-	2,778,358
Remeasurement of defined benefit superannuation schemes		(26,714)	-	-	(26,714)
<b>Total other comprehensive income</b>		<b>(26,714)</b>	<b>2,778,358</b>	<b>(545)</b>	<b>2,751,099</b>
<b>Total comprehensive income for the year</b>		<b>2,553,882</b>	<b>2,778,358</b>	<b>(545)</b>	<b>5,331,695</b>
<b>Transactions with owners in their capacity as owners</b>					
Transfers to / (from) reserves to accumulated funds		226,742	(226,742)	-	-
Equity transfers	30	36,451	-	-	36,451
<b>Balance at 30 June 2014</b>		<b>82,995,659</b>	<b>17,025,410</b>	<b>(3,223)</b>	<b>100,017,846</b>

The accompanying notes form part of these financial statements.

## Department of Transport

Statement of changes in equity  
for the year ended 30 June 2015

Parent	Notes	Accumulated funds \$'000	Asset revaluation surplus \$'000	Hedging gains & losses reserves \$'000	Total \$'000
<b>Balance as at 1 July 2014</b>		-	-	-	-
Changes in accounting policy		-	-	-	-
<b>Restated total equity as at 1 July 2014</b>		-	-	-	-
<b>Net result for the year</b>		-	-	-	-
<b>Other comprehensive income:</b>					
Derecognition of deferred tax assets and liabilities		-	-	-	-
Net gains in hedging contracts		-	-	-	-
Net increase in asset revaluation reserve	13	-	-	-	-
Actuarial gains on defined benefit superannuation schemes		-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-
<b>Transactions with owners in their capacity as owners</b>					
Transfers to / (from) reserves to accumulated funds		-	-	-	-
Equity transfers	30	-	-	-	-
<b>Balance at 30 June 2015</b>		-	-	-	-
<b>Balance at 1 July 2013</b>		-	-	-	-
Changes in accounting policy		-	-	-	-
<b>Restated total equity as at 1 July 2013</b>		-	-	-	-
<b>Net result for the year</b>		-	-	-	-
<b>Other comprehensive income:</b>					
Derecognition of deferred tax assets and liabilities		-	-	-	-
Net gains in hedging contracts		-	-	-	-
Net increase in asset revaluation reserve	13	-	-	-	-
Actuarial gains on defined benefit superannuation schemes		-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-
<b>Transactions with owners in their capacity as owners</b>					
Transfers to / (from) reserves to accumulated funds		-	-	-	-
Equity transfers	30	-	-	-	-
<b>Balance at 30 June 2014</b>		-	-	-	-

# Department of Transport

## Statement of cash flows

for the year ended 30 June 2015

	Notes	Consolidated Actual 2015 \$'000	Consolidated Actual 2014 \$'000	Parent Actual 2015 \$'000	Parent Actual 2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Payments</b>					
Employee related		(2,542,391)	(2,515,325)	(17,253)	(13,272)
Grants and subsidies		(567,805)	(572,988)	-	-
Finance costs		(294,009)	(328,421)	-	-
Other		(4,555,868)	(4,450,942)	(611)	182
<b>Total payments</b>		<b>(7,960,073)</b>	<b>(7,867,676)</b>	<b>(17,864)</b>	<b>(13,090)</b>
<b>Receipts</b>					
Recurrent appropriation		8,592,327	7,971,109	-	-
Capital appropriation (excluding equity appropriations)		2,572,766	2,266,735	-	-
Cash transferred to the Consolidated Fund		(5,155)	-	-	-
Sale of goods and services including GST refunds		2,206,048	1,790,040	-	-
Personnel services		-	-	1,707	18,136
Retained taxes, fees and fines		14,154	13,739	-	-
Interest received		51,982	56,428	-	-
Grants and contributions		688,883	1,452,785	-	-
Other		435,909	554,507	-	-
<b>Total receipts</b>		<b>14,556,914</b>	<b>14,105,343</b>	<b>1,707</b>	<b>18,136</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	26	<b>6,596,841</b>	<b>6,237,667</b>	<b>(16,157)</b>	<b>5,046</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment		46,760	73,775	-	-
Purchases of property, plant and equipment and intangible assets		(6,784,880)	(6,005,688)	-	-
Other		6,045	3,221	-	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(6,732,075)</b>	<b>(5,928,692)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings and advances		1,357,613	1,114,898	-	-
Repayment of borrowings and advances		(801,944)	(766,685)	-	-
Other		(53,540)	(18,595)	-	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>502,129</b>	<b>329,618</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>366,895</b>	<b>638,593</b>	<b>(16,157)</b>	<b>5,046</b>
Opening cash and cash equivalents		1,447,794	809,201	17,087	12,041
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	7	<b>1,814,689</b>	<b>1,447,794</b>	<b>930</b>	<b>17,087</b>

The accompanying notes form part of these financial statements.

# Department of Transport

## Service group statements

for the year ended 30 June 2015

Consolidated	Rail Services*		Buses and related services*		Roads and maritime services*		Ferry services*		Integrated transport services*		Inter-services elimination		Total	
Reporting entity's expenses and income	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Expenses excluding losses</b>														
Operating expenses														
Employee related	1,559,864	1,425,504	286	269,337	24,082	449,937	468	1,292	461,670	327,982	875,775	302,009	2,922,145	2,776,061
Personnel service expense	117,066	100,172	426,378	151,000	576,124	349,187	-	-	-	-	(1,119,568)	(600,359)	-	-
Other operating expenses	1,097,433	1,255,058	120,192	121,996	688,319	574,669	1,599	111	334,175	284,534	(669,265)	(834,798)	1,572,453	1,401,570
Maintenance	759,785	1,029,381	51,825	51,553	469,986	481,928	-	-	6,746	38,615	3,086	(37,266)	1,291,428	1,564,211
Depreciation and amortisation	1,059,190	955,749	92,805	85,478	1,551,357	1,434,708	14,222	14,854	121,693	108,245	-	(536)	2,839,267	2,598,498
Grants and subsidies	-	-	124,472	115,832	348,136	446,490	91,553	83,630	8,883,111	8,552,368	(8,895,625)	(8,525,317)	551,647	673,003
Finance costs	212,744	182,870	87,321	91,520	43,367	67,129	-	-	16,271	15,859	(28,906)	(29,137)	330,797	328,241
Other expenses	463,913	421,427	810,804	805,976	-	-	-	-	18,323	(310,735)	(318,174)	77,962	974,866	994,630
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>	<b>5,269,995</b>	<b>5,370,161</b>	<b>1,714,083</b>	<b>1,692,692</b>	<b>3,701,371</b>	<b>3,804,048</b>	<b>107,842</b>	<b>99,887</b>	<b>9,841,989</b>	<b>9,016,868</b>	<b>(10,152,677)</b>	<b>(9,647,442)</b>	<b>10,482,603</b>	<b>10,336,214</b>
<b>Revenue</b>														
Government contributions	2,184,730	2,258,515	1,389,538	1,326,383	4,735,857	4,473,686	-	-	9,835,989	9,012,588	(6,943,489)	(6,805,013)	11,202,625	10,266,159
Sale of goods and services	2,125,700	2,313,611	313,063	340,579	668,914	514,273	5,905	5,742	262,851	239,663	(1,350,864)	(1,503,277)	2,025,569	1,910,591
Investment revenue	46,600	43,248	970	1,382	88,045	77,014	422	575	14,915	19,741	3,426	(28)	154,378	141,932
Retained taxes, fees and fines	11,942	9,902	301	736	15,234	17,069	-	-	2,222	2,182	(10)	-	29,689	29,889
Grants and contributions	1,925,862	1,900,587	65,931	57,522	187,109	65,533	3,539	150	443,148	359,867	(1,936,706)	(1,373,377)	688,883	1,010,282
Other revenue	5,798	5,419	-	-	415,175	290,425	4,231	5,458	-	3,507	-	(39,955)	425,204	264,854
<b>Total revenue</b>	<b>6,300,632</b>	<b>6,531,282</b>	<b>1,769,803</b>	<b>1,726,602</b>	<b>6,110,334</b>	<b>5,438,000</b>	<b>14,097</b>	<b>11,925</b>	<b>10,559,125</b>	<b>9,637,548</b>	<b>(10,227,643)</b>	<b>(9,721,650)</b>	<b>14,526,348</b>	<b>13,623,707</b>
Gain/(loss) on disposal	(204,472)	(2,772)	69	8,581	(25,828)	108,158	-	-	(1,763)	-	24,403	(8,486)	(207,591)	105,481
Other gains/(losses)	(1,303)	(58,057)	(35)	-	(213,787)	(746,241)	582	(5,754)	(3)	(706)	(884)	(1,620)	(215,430)	(812,378)
<b>Net result</b>	<b>824,862</b>	<b>1,100,292</b>	<b>55,754</b>	<b>42,491</b>	<b>2,169,348</b>	<b>995,869</b>	<b>(93,163)</b>	<b>(93,716)</b>	<b>715,370</b>	<b>619,974</b>	<b>(51,447)</b>	<b>(84,314)</b>	<b>3,620,724</b>	<b>2,580,596</b>
<b>Other comprehensive income</b>														
Net increase/(decrease) in asset revaluation reserve	1,076,208	634,966	7,822	14,230	2,997,757	2,113,952	-	(1,570)	(59,125)	-	-	16,780	4,022,662	2,778,358
Remeasurement of defined benefit superannuation schemes	2,774	(58,829)	-	-	-	165,888	-	-	(6,712)	(133,773)	-	-	(3,938)	(26,714)
Net gain in commodity swaps and foreign exchange	(1,801)	(2,053)	-	-	-	-	-	-	125	1,508	-	-	(1,676)	(545)
<b>Total other comprehensive income</b>	<b>1,077,181</b>	<b>574,084</b>	<b>7,822</b>	<b>14,230</b>	<b>2,997,757</b>	<b>2,279,840</b>	<b>-</b>	<b>(1,570)</b>	<b>(65,712)</b>	<b>(132,265)</b>	<b>-</b>	<b>16,780</b>	<b>4,017,048</b>	<b>2,751,099</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,902,043</b>	<b>1,674,376</b>	<b>63,576</b>	<b>56,721</b>	<b>5,167,105</b>	<b>3,275,709</b>	<b>(93,163)</b>	<b>(95,286)</b>	<b>649,658</b>	<b>487,709</b>	<b>(51,447)</b>	<b>(67,534)</b>	<b>7,637,772</b>	<b>5,331,695</b>

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

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

## Department of Transport

### Service group statements

for the year ended 30 June 2015

Consolidated	Rail Services*		Buses and related services*		Roads and maritime services*		Ferry services*		Integrated transport services*		Inter-services elimination		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Administered expenses and income</b>														
Administered expenses														
Transfer payments	-	-	-	-	-	-	-	-	35,665	37,842	-	-	35,665	37,842
<b>Total administered expenses</b>	-	-	-	-	-	-	-	-	<b>35,665</b>	37,842	-	-	<b>35,665</b>	37,842
Administered income														
Taxes, fees and fines	-	-	-	-	3,072,548	2,965,606	-	-	36,125	37,922	-	-	3,108,673	3,003,528
Other	-	-	-	-	56,883	44,924	-	-	-	-	-	-	56,883	44,924
<b>Total administered income</b>	-	-	-	-	<b>3,129,431</b>	3,010,530	-	-	<b>36,125</b>	37,922	-	-	<b>3,165,556</b>	3,048,452
<b>Administered income less expenses</b>	-	-	-	-	<b>3,129,431</b>	3,010,530	-	-	<b>460</b>	80	-	-	<b>3,129,891</b>	3,010,610

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

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

# Department of Transport

## Service group statements

for the year ended 30 June 2015

Consolidated	Rail Services*		Buses and related services*		Roads and maritime services*		Ferry services*		Integrated transport services*		Inter-services elimination		Total	
Reporting entity's assets and liabilities	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Current assets</b>														
Cash and cash equivalents	519,481	273,541	3,043	4,068	567,903	333,858	18,172	15,820	706,090	820,507	-	-	1,814,689	1,447,794
Receivables	918,723	580,123	41,340	42,100	259,655	190,018	102	599	660,859	2,013,589	(1,357,993)	(2,349,441)	522,686	476,988
Inventories	27,756	27,975	8,640	8,654	6,749	9,427	-	-	1,185	1,304	-	-	44,330	47,360
Financial assets at fair value	1,676	468	-	-	63,597	58,710	-	-	63	119	-	-	65,336	59,297
Non-current assets held for sale	700	11,834	89	131	2,741	5,262	-	-	16,093	17,193	-	-	19,623	34,420
Other financial assets	-	-	-	-	499	-	-	-	-	-	-	-	499	-
<b>Total current assets</b>	<b>1,468,336</b>	<b>893,941</b>	<b>53,112</b>	<b>54,953</b>	<b>901,144</b>	<b>597,275</b>	<b>18,274</b>	<b>16,419</b>	<b>1,384,290</b>	<b>2,852,712</b>	<b>(1,357,993)</b>	<b>(2,349,441)</b>	<b>2,467,163</b>	<b>2,065,859</b>
<b>Non-current assets</b>														
Receivables	33,293	34,174	-	5	8,907	400	-	-	1,411,088	-	(1,411,088)	-	42,200	34,579
Inventories	18,334	33,580	-	-	-	-	-	-	-	-	-	-	18,334	33,580
Financial assets at fair value	631	158	-	-	-	-	-	-	12	36	-	-	643	194
Land and buildings	558,733	591,141	292,925	274,483	2,926,926	2,517,905	7,723	8,119	15,796	-	-	1	3,802,103	3,391,649
Infrastructure systems	29,742,761	26,934,525	156	-	73,873,194	69,480,682	-	-	34,276	-	-	-	103,650,387	96,415,207
Plant and equipment -	5,109,507	5,367,988	1,119,636	1,122,464	109,930	119,411	74,062	76,913	134,015	98,694	-	(444)	6,547,150	6,785,026
Property plant and equipment	35,411,001	32,893,654	1,412,717	1,396,947	76,910,050	72,117,998	81,785	85,032	184,087	98,694	-	(443)	113,999,640	106,591,882
Other financial assets	-	-	-	-	520,336	177,545	-	-	552	733	-	-	520,888	178,278
Intangible assets	237,696	244,055	59,253	809	160,751	169,963	40,382	42,015	661,569	422,938	-	-	1,159,651	879,780
Other assets	56,504	50,706	-	-	1,380,892	1,180,763	-	-	-	-	119	-	1,437,515	1,231,469
<b>Total non-current assets</b>	<b>35,757,459</b>	<b>33,256,327</b>	<b>1,471,970</b>	<b>1,397,761</b>	<b>78,980,936</b>	<b>73,646,669</b>	<b>122,167</b>	<b>127,047</b>	<b>2,257,308</b>	<b>522,401</b>	<b>(1,410,969)</b>	<b>(443)</b>	<b>117,178,871</b>	<b>108,949,762</b>
<b>Total assets</b>	<b>37,225,795</b>	<b>34,150,268</b>	<b>1,525,082</b>	<b>1,452,714</b>	<b>79,882,080</b>	<b>74,243,944</b>	<b>140,441</b>	<b>143,466</b>	<b>3,641,598</b>	<b>3,375,113</b>	<b>(2,768,962)</b>	<b>(2,349,884)</b>	<b>119,646,034</b>	<b>111,015,621</b>

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

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

# Department of Transport

## Service group statements

for the year ended 30 June 2015

Consolidated Reporting entity's assets and liabilities	Rail Services*		Buses and related services*		Roads and maritime services*		Ferry services*		Integrated transport services*		Inter-services elimination		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Current liabilities</b>														
Payables	666,828	906,540	156,728	362,563	1,207,377	2,193,269	1,477	806	754,690	955,057	(673,257)	(2,342,111)	2,113,843	2,076,124
Borrowings	1,093,737	765,274	78,695	70,878	43,515	388,615	-	-	68,499	116,300	(609,835)	-	674,611	1,341,067
Employee benefits	490,578	529,211	-	-	-	-	-	427	419,738	397,544	-	16	910,316	927,198
Other provisions	50,532	51,389	1,341	1,223	43,825	8,344	-	-	71	714	-	-	95,769	61,670
Other	10,426	24,292	796	4,119	197,695	169,135	5,007	6,666	141,554	36,536	(75,282)	(17,654)	280,196	223,094
Financial liabilities at fair value	3,566	1,064	-	-	-	-	-	-	2,607	2,831	-	-	6,173	3,895
<b>Total current liabilities</b>	<b>2,315,667</b>	<b>2,277,770</b>	<b>237,560</b>	<b>438,783</b>	<b>1,492,412</b>	<b>2,759,363</b>	<b>6,484</b>	<b>7,899</b>	<b>1,387,159</b>	<b>1,508,982</b>	<b>(1,358,374)</b>	<b>(2,359,749)</b>	<b>4,080,908</b>	<b>4,633,048</b>
<b>Non-current liabilities</b>														
Payables	-	-	199,125	-	1,211,689	-	-	-	-	-	(1,410,814)	-	-	-
Borrowings	2,949,640	2,181,503	717,972	745,196	405,930	607,070	-	-	351,037	328,485	-	-	4,424,579	3,862,254
Employee benefits	752,198	740,626	-	-	-	-	-	-	1,411,087	1,366,484	-	-	2,163,285	2,107,110
Other provisions	37,579	47,632	588	606	14,986	16,885	-	-	9,687	5,233	-	-	62,840	70,356
Other	-	-	-	-	629,606	324,854	-	-	38,586	45	-	-	668,192	324,899
Financial liabilities at fair value	1,033	53	-	-	-	-	-	-	74	55	-	-	1,107	108
<b>Total non-current Liabilities</b>	<b>3,740,450</b>	<b>2,969,814</b>	<b>917,685</b>	<b>745,802</b>	<b>2,262,211</b>	<b>948,809</b>	<b>-</b>	<b>-</b>	<b>1,810,471</b>	<b>1,700,302</b>	<b>(1,410,814)</b>	<b>-</b>	<b>7,320,003</b>	<b>6,364,727</b>
<b>Total liabilities</b>	<b>6,056,117</b>	<b>5,247,584</b>	<b>1,155,245</b>	<b>1,184,585</b>	<b>3,754,623</b>	<b>3,708,172</b>	<b>6,484</b>	<b>7,899</b>	<b>3,197,630</b>	<b>3,209,284</b>	<b>(2,769,188)</b>	<b>(2,359,749)</b>	<b>11,400,911</b>	<b>10,997,775</b>
<b>Net assets</b>	<b>31,169,678</b>	<b>28,902,684</b>	<b>369,837</b>	<b>268,129</b>	<b>76,127,457</b>	<b>70,535,772</b>	<b>133,957</b>	<b>135,567</b>	<b>443,968</b>	<b>165,829</b>	<b>226</b>	<b>9,865</b>	<b>108,245,123</b>	<b>100,017,846</b>

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

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



## Department of Transport

Summary of compliance with financial directives

for the year ended 30 June 2015

Department of Transport and Transport for NSW	2015				2014			
	Recurrent Appropriation	Expenditure/ net claim on Consolidated Fund	Capital Appropriation	Expenditure/ net claim on Consolidated Fund	Recurrent Appropriation	Expenditure/ net claim on Consolidated Fund	Capital Appropriation	Expenditure/ net claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ORIGINAL BUDGET APPROPRIATION/EXPENDITURE</b>								
Appropriation Act	8,908,368	8,592,327	2,658,393	2,572,766	8,080,774	7,971,109	2,342,962	2,261,580
	<b>8,908,368</b>	<b>8,592,327</b>	<b>2,658,393</b>	<b>2,572,766</b>	<b>8,080,774</b>	<b>7,971,109</b>	<b>2,342,962</b>	<b>2,261,580</b>
<b>OTHER APPROPRIATIONS/EXPENDITURE</b>								
Transfers to/from another Agency (s32 of the Appropriation Act)	(81,343)	-	(18,000)	-	(109,662)	-	-	-
	<b>(81,343)</b>	<b>-</b>	<b>(18,000)</b>	<b>-</b>	<b>(109,662)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>8,827,025</b>	<b>8,592,327</b>	<b>2,640,393</b>	<b>2,572,766</b>	<b>7,971,112</b>	<b>7,971,109</b>	<b>2,342,962</b>	<b>2,261,580</b>
<b>Amount drawn down against Appropriation</b>	-	8,592,327	-	2,572,766	-	7,971,109	-	2,266,735
<b>Liability to Consolidated Fund* (note 21)</b>		-		-		-		<b>(5,155)</b>

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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## 1. Summary of significant accounting policies

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

The Department of Transport is a NSW Government entity. The Department is a not-for-profit entity as profit is not its principal objective and it has no cash generating units. The parent entity carried out many of the planning, procurement, delivery and coordination functions for transport services and infrastructure in NSW until 1 November 2011 when these functions were transferred to Transport for NSW. From 1 November 2011, the parent entity has provided personnel services to Transport for NSW.

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

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

Transport for NSW  
Transport Service of New South Wales  
Roads and Maritime Services  
Sydney Ferries  
State Transit Authority  
Rail Corporation New South Wales  
Sydney Trains  
NSW Trains

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

On 5 May 2014 all of the assets, rights and liabilities of MTS Holding Company Pty Limited were transferred to TfNSW. The company was subsequently deregistered on 11 September 2014 and is therefore no longer a subsidiary of TfNSW. No gain or loss was recorded on wind up as the net assets and business was transferred to TfNSW as an equity contribution.

These consolidated financial statements of Department of Transport for the year ended 30 June 2015 were authorised for issue by the Secretary on the date the accompanying statement was signed.

### (b) Principles of consolidation

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (c) Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with:

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

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

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

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

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

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

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

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

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

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

### (e) Statement of compliance

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

#### Exemption from the Financial Reporting Code

The reporting entity was granted exemption by the Treasurer of NSW under *S 45E of the Public Finance and Audit Act 1983* from complying fully with the requirement of the Code. The exemption relates to the separate disclosure of maintenance expenses in the Statement of Comprehensive Income and liabilities for employees' benefits in the Statement of Financial Position on the basis of their materiality and greater transparency. This exemption does not impact on the financial performance of the reporting entity.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (f) Administered activities

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

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

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

### (g) Employee related expenses

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

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

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

### (h) Other operating expenses and maintenance

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

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

### (i) Grants and subsidies

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

### (j) Borrowing costs

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (k) Insurance

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

### (l) Other expenses

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

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

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

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

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

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

### (n) Income recognition

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefits will flow to the reporting 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 reporting entity obtains control over the assets comprising the appropriations/contributions. Control over appropriations/contributions is normally obtained upon the receipt of cash. At 30 June unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund in the next financial year. The liability is disclosed under other liabilities (note 21).

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

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

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

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

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

#### (iv) *Investment revenue*

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

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

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

#### (vi) *Other revenue*

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

### (o) Assets

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

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

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

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the reporting entity in accordance with *AASB 116 Property, Plant and Equipment*. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. deferred payment amount is effectively discounted at an asset-specific rate.

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

Under certain long-term lease agreements where development has been carried out by the private sector, Roads and Maritime Services may take control of various wharf constructions after 99 years. Due to the length of time until control may be achieved, they are currently recorded at \$1. In addition, certain wetland leases may be returning to Roads and Maritime Services in a relatively short period of time. These assets have been independently valued and are stated at fair value in the Statement of Financial Position.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

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

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

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

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

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to note 16 for further information regarding fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ from carrying value in accordance with NSW Treasury policy and guidelines paper (TPP 14.01). Each entity within the group undertakes their own assessment to comprehensively revalue a class of assets more frequently.

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

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

Notwithstanding the exemption, the reporting 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.



# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

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

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

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

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

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

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

#### (vii) *Major inspection costs*

When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognised.

#### (viii) *Restoration costs*

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

#### (ix) *Maintenance*

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

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

#### (x) *Leased assets*

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

As lessee:

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

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

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

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

As lessor:

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

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

#### (xi) *Derecognition*

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

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

#### (xii) *Intangible assets*

Intangible assets are recognised only if it is probable that future economic benefits will flow to the reporting 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 intangible assets are assessed to be finite.

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

The reporting entity's intangible assets comprise principally information technology systems which are amortised using the straight-line method over periods ranging from 2 years to 10 years.

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

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

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

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

#### (xiv) *Inventories*

Generally inventories are held for distribution (consumed in the ordinary activities of the reporting 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 reporting entity would incur to acquire the asset.

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

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

#### (xv) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

#### (xvi) *Other financial assets*

Other financial assets comprise receivables, loan to the Sydney Harbour Tunnel and promissory notes issued by the operators of private sector provided infrastructure assets. These assets are measured at amortised cost using the effective interest rate method.

#### (xvii) *Investment properties*

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are revalued annually and stated at fair value, which is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset at the reporting date. Gains and losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains and or losses on the derecognition of an investment property are recognised in the Statement of Comprehensive Income in the year of derecognition.

Transfers are made to and from investment property when, and only when, there is a change in use. Where properties are transferred from investment property, the deemed cost for subsequent accounting is its fair value at the date of change in use.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

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

#### (xviii) *Business combinations*

The reporting entity applies the acquisition method in accounting for business combinations.

The consideration transferred by the reporting entity to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred and liabilities incurred, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The reporting entity recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred and (b) the recognised amount of any non-controlling interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Goodwill acquired in a business combination is not amortised. Instead, it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

#### (xix) *Goodwill*

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 1(o)(xviii) for information on how goodwill is initially determined and carried in the statement of financial position.

#### (xx) *Investments*

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The reporting entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

**Fair value through profit or loss** - The reporting entity subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading (note 10). Gains or losses on these assets are recognised in the net result for the year.

The NSW TCorp Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the key management personnel.

The movement in the fair value of the NSW TCorp Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item investment revenue.

**Held-to-maturity investments** - Non-derivative financial assets with fixed or determinable payments and fixed maturity that the reporting entity has the positive intention and ability to hold to maturity are classified as "held-to-maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

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

#### (xx) Investments (cont'd)

**Available-for-sale investments** - Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date, i.e. the date the reporting entity commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the statement of financial position date.

Unquoted investment in subsidiaries incorporated as proprietary companies are stated at cost less accumulated impairment in the parent entity's statement of financial position. The investment is subject to at least annual reviews for impairment.

#### (xxi) 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 reporting entity will not be able to collect all amounts due.

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

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

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as available-for-sale must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

#### (xxii) De-recognition of financial assets and financial liabilities

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

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

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

#### (xxiii) *Non-current assets held for sale*

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

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

#### (xxiv) *Other assets – Private sector provided infrastructure*

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

In the absence of a specific Australian Accounting Standard, Treasury Policy and Guidelines Paper *Accounting for Privately Financed Projects* (TPP06-8) applies. This policy requires the reporting entity to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the government bond rate at the commencement of the project. During the concession period, the reporting entity recognises the annual value of the right to receive the infrastructure as an asset and as revenue (note 1(n)(iv)).

### (p) Liabilities

#### (i) *Payables*

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

#### (ii) *Borrowings*

Borrowings are not held for trading or designated at fair value through profit or loss. Borrowings are initially measured at the fair value of the consideration received. Any difference between the proceeds and the redemption amount (premium or discount) is recognised in the net result over the period of the borrowings using the effective interest method.

The finance lease liability is determined in accordance with AASB 117 *Leases*.

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (p) Liabilities (cont'd)

#### (iii) *Employee benefits*

##### a. *Salaries and wages, annual leave, sick leave and on-costs*

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

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

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

##### b. *Long service leave and superannuation*

A liability for long service leave is measured in accordance with AASB 119 *Employee Benefits* at the present value of future payments anticipated for the employee services that the reporting 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.

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

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

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

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



# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (p) Liabilities (cont'd)

#### (iii) Employee benefits (cont'd)

##### b. Long service leave and superannuation (cont'd)

In the case of the parent entity, the superannuation expense recognised in the statement of comprehensive income comprises:

- For defined contribution plans, the contribution payable for the period; and
- For defined benefit plans, the superannuation expense is a multiple of the employees' superannuation contributions as specified in the Treasury Circular "Accounting for Superannuation" (TC 14/05).

The parent entity's defined benefit plan superannuation expense is assumed by the Crown. The parent entity accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of the employee benefits and other liabilities".

##### c. Consequential on-costs

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

#### (iv) Other provisions

Other provisions exist when the reporting 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 reporting 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.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

#### (q) Fair value hierarchy

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

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

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

Refer note 16 and note 29 for further disclosures regarding fair value measurements of financial and non-financial assets.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (r) Equity and reserves

#### (i) *Asset revaluation reserve*

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the reporting entity's policy on the revaluation of property, plant and equipment as discussed in note (1)(o)(iii) and (iv).

#### (ii) *Hedge reserve*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and is accumulated in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

#### (iii) *Accumulated funds*

The category "accumulated funds" includes all current and prior period retained funds.

#### (iv) *Reserves*

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

#### (v) *Equity transfers*

Equity transfers represent the transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with *AASB 1004 Contributions* and *Australian Interpretation 1038 Contributions by Owners made to Wholly-owned public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

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

### (s) Budgeted amounts

The reporting entity provides budget information in Note 25. The budget amounts provided relate to the Department of Transport, Transport for NSW and the Transport Service as the financial performance of these entities is aggregated for Treasury reporting purposes.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (t) Disaggregation of financial information by main activities of the reporting entity

In accordance with the Code the reporting entity has disaggregated expenses and revenue and assets and liabilities by its main activities. The reporting entity's main activities comprise:

Rail services	<ul style="list-style-type: none"><li>- RailCorp</li><li>- Sydney Trains</li><li>- NSW Trains</li><li>- Transport for NSW contributions for light rail services</li></ul>
Buses and related services	<ul style="list-style-type: none"><li>- State Transit Authority</li><li>- Transport for NSW contributions for bus transport services in the metropolitan, outer metropolitan and rural and regional areas of New South Wales</li></ul>
Road and maritime services	<ul style="list-style-type: none"><li>- Roads and Maritime Services and subsidiaries</li></ul>
Ferry services	<ul style="list-style-type: none"><li>- Sydney Ferries</li><li>- Transport for NSW contributions for private operator ferry services</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 and
- (e) opal electronic ticketing system.

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (i) *Effective for the first time in 2014-15*

The accounting policies applied in 2014-15 are consistent with those of the previous financial year except as a result of the following new Australian Accounting Standard that have been applied for the first time in 2014-15.

#### **AASB 10 Consolidated Financial Statements**

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification of any of the controlled entities under its control during the period or comparative periods covered by these financial statements.

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the controlled entities are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

#### **AASB 11 Joint Arrangements**

The adoption of AASB 11 has had no impact on the entity as it is not a party to any joint arrangements.

AASB 11 supersedes AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly Controlled Entities- Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 11 now requires the use of the equity method for arrangements classified as joint ventures, and the AASB 131's option of using proportionate consolidation is no longer permitted.

#### **AASB 12 Disclosure of Interests in Other Entities**

The adoption of AASB 12 has not had any significant impact on the entity.

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The requirements in AASB 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries.

#### **AASB 127 Separate Financial Statements (revised) and AASB 128 Investments in Associates and Joint Ventures (revised)**

The adoption of the revised AASB 127 and AASB 128 has had no significant impact on the entity.

The revised AASB 127 supersedes AASB 127 Consolidated and Separate Financial Statements. AASB 127 now prescribes the accounting for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Consolidation requirements are now included in AASB 10, and disclosure requirements are in AASB 12.

The revised AASB 128 supersedes AASB 128 Investments in Associates. AASB 128 now prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The revision to AASB 128 aligns with the requirements for joint ventures introduced in AASB 11.

#### **AASB 1055 Budgetary Reporting**

The adoption of AASB 1055 has had no significant impact on the entity.

AASB 1055 requires the disclosure of budgetary information by not-for-profit entities within the General Government Sector. In particular, entities are required to disclose the original budget presented to Parliament, and explanations of significant variances between actual amounts and original budgets. The disclosure of the budgeted information is to be on the same presentation and classification basis adopted in the financial statements. As a result, any s24 of the Public Finance and Audit Act adjustments will be included in the explanation of material variance rather than as adjustment to the original budget. Comparative budgetary information in respect of the previous period need not be disclosed.

# Department of Transport

## Notes to the financial statements for the year ended 30 June 2015

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

At reporting date all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to group operations and effective for the current annual reporting period have been adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2015 in accordance with Treasury mandated policy. The impact of these standards in the period of initial application will not be significant.

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 9 Financial Instruments, AASB 2010-7, AASB 2014-7 and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 January 2015 (Part C)
AASB 2014-1 Amendments to Australian accounting standards	1 January 2016 (Part D) 1 January 2015 (Part E)
AASB 2014-3 Amendments to Australian accounting standards – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
AASB 2014-4 Amendments to Australian accounting standards Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
AASB 2014-9 Amendments to Australian accounting standards – Equity Method in Separate Financial Statements	1 January 2016
AASB 2014-10 Amendments to Australian accounting standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	1 July 2016
AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities	1 July 2016

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 2. Expenses excluding losses

### (a) Employee related expenses

	<b>Consolidated 2015 \$'000</b>	<b>Consolidated 2014 \$'000</b>	<b>Parent 2015 \$'000</b>	<b>Parent 2014 \$'000</b>
Salaries and wages (including annual leave)	2,154,291	2,002,118	869	7,852
Superannuation - defined benefit plans	120,232	119,723	(2)	208
Superannuation - defined contribution plans	180,252	156,843	48	589
Long service leave	103,320	110,263	(100)	(267)
Workers' compensation insurance	9,636	17,632	(5)	1
Payroll tax and fringe benefit tax	141,272	131,138	349	892
Redundancy payments	66,388	135,043	211	2,126
Other	2,003	3,924	-	-
Skill hire contractors	144,751	99,377	-	-
	<b>2,922,145</b>	<b>2,776,061</b>	<b>1,370</b>	<b>11,401</b>

Employee related costs of \$352.0 million (2014: \$337.0 million) (parent entity: nil (2014: nil)) have been capitalised in property, plant and equipment and intangible assets (computer systems) and are excluded from the above.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (b) Other operating expenses

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Auditor's remuneration - audit of financial statements	2,576	2,816	235	229
Advertising	38,492	31,932	-	-
Bad and doubtful debts	23	-	-	-
Cashback refund M5	81,378	73,966	-	-
Communications	25,653	26,355	-	-
Consultants	14,252	11,048	-	-
Electricity and gas	86,781	104,220	-	-
Fleet hire and leasing charges including access fees	63,443	56,682	-	-
Fuel costs	89,762	97,944	-	-
General expenses	184,731	89,623	-	-
Information technology	145,649	132,025	-	-
Insurance	69,508	60,489	-	-
Internal audit fees	1,466	930	-	-
Land and buildings remediation	4,565	(5,519)	-	-
Legal costs	24,825	12,481	-	-
Materials	30,106	55,702	-	-
Monorail expenses	-	14,560	-	-
Office expenses	70,267	77,280	-	-
Contractors	417,991	385,656	-	-
Payments to councils and external bodies	12,473	10,787	-	-
Rental expense relating to operating leases	129,906	93,132	-	-
Security costs	32,153	24,420	-	-
Sydney Harbour Tunnel operating expenses	32,737	31,550	-	-
Taxes, rates and related charges	4,089	4,027	-	-
Travel expenses	9,627	9,464	-	-
	<b>1,572,453</b>	<b>1,401,570</b>	<b>235</b>	<b>229</b>

General expenses of \$184.7 million (2014: \$89.6 million) includes bus services for rail replacement, public liability claims, merchant and bank fees, vehicles number plates and occupational health and safety expenses.

### (c) Maintenance

Maintenance - general	86,820	83,677	-	-
Maintenance - buses and ferries	44,176	41,088	-	-
Maintenance - rail infrastructure systems	373,471	629,669	-	-
Maintenance - trains	383,228	396,516	-	-
Maintenance - road and maritime infrastructure systems	403,733	413,261	-	-
	<b>1,291,428</b>	<b>1,564,211</b>	<b>-</b>	<b>-</b>
<i>Reconciliation - Total maintenance</i>				
Maintenance expense - contracted labour and other (non-employee related), as above	1,291,428	1,564,211	-	-
Employee related maintenance expense included in note 2(a)	414,521	148,917	-	-
<b>Total maintenance expense included in Note 2(a) + 2(c)</b>	<b>1,705,949</b>	<b>1,713,128</b>	<b>-</b>	<b>-</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (d) Depreciation and amortisation

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Depreciation (note 13)				
<i>Infrastructure systems:</i>				
Depreciation - roads and maritime systems	1,489,327	1,383,100	-	-
Depreciation - rail systems	816,881	736,705	-	-
<i>Buildings:</i>				
Depreciation - buildings	28,809	28,763	-	-
<i>Plant and equipment:</i>				
Depreciation - rolling stock	251,625	220,011	-	-
Depreciation - ferries	10,412	12,388	-	-
Depreciation - buses	46,965	42,895	-	-
Depreciation - plant and equipment	80,018	74,208	-	-
Depreciation - finance leased buses	36,006	32,325	-	-
<b>Total depreciation</b>	<b>2,760,043</b>	<b>2,530,395</b>	-	-
Amortisation				
Amortisation - computer systems (note 14)	79,224	68,103	-	-
	<b>2,839,267</b>	<b>2,598,498</b>	-	-

### (e) Grants and subsidies

Taxi transport subsidy scheme	28,914	28,596	-	-
Community transport groups	72,196	65,557	-	-
Private vehicle conveyance	23,362	22,441	-	-
Carparks and interchanges	3,981	11,349	-	-
Grants under road safety program	-	32	-	-
Grants to local councils - maintenance of transport infrastructure	303,128	351,476	-	-
Grants to local councils - transfer of roads and bridges	1,857	85,584	-	-
National transport regulators	13,767	20,154	-	-
National Heavy Vehicle Regulator	39,225	-	-	-
Road safety grant to NSW Police	30,146	29,884	-	-
Other	35,071	57,930	-	-
	<b>551,647</b>	<b>673,003</b>	-	-

The grants and subsidies to various entities in the Transport cluster were paid by Transport for NSW in 2014-15 and 2013-14. These payments were eliminated on consolidation in accordance with note 1(b).



# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (f) Finance costs

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Finance lease interest charges	250,572	239,544	-	-
Interest expense on NSW TCorp borrowings	69,409	84,035	-	-
Interest expense on non-current provisions and liabilities	3,792	2,684	-	-
Other finance costs	7,024	1,978	-	-
	<b>330,797</b>	<b>328,241</b>	-	-

Finance costs of \$1.3 million (2014: \$1.7 million) (parent entity: nil (2014: nil)) have been capitalised in property, plant and equipment and intangible assets (computer systems) and are excluded from the above.

### (g) Other expenses

Service costs - metropolitan and outer metropolitan bus operators	460,754	500,465	-	-
Major events - hire of bus and rail services	3,484	5,274	-	-
Service costs - rural and regional private bus operators	393,896	388,040	-	-
Service costs - ferry operators	91,553	83,630	-	-
Light rail contract payments	16,183	17,221	-	-
Nightride bus service	8,996	-	-	-
	<b>974,866</b>	<b>994,630</b>	-	-

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 3. Revenue

### (a) Recurrent appropriation

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Total recurrent drawdowns from NSW Treasury (per summary of compliance with financial directives)	8,592,327	7,971,109	-	-
Less: Liability to Consolidated Fund (per summary of compliance with financial directives) (note 21)	-	-	-	-
<b>Recurrent appropriations (per statement of comprehensive income)</b>	<b>8,592,327</b>	<b>7,971,109</b>	<b>-</b>	<b>-</b>

### (b) Capital appropriation

Total capital drawdowns from NSW Treasury (per summary of compliance with financial directives)	2,572,766	2,266,735	-	-
Less: Liability to Consolidated Fund (per summary of compliance with financial directives) (note 21)	-	(5,155)	-	-
<b>Capital appropriations (per statement of comprehensive income)</b>	<b>2,572,766</b>	<b>2,261,580</b>	<b>-</b>	<b>-</b>

### (c) Sale of goods and services

Passenger service revenue	1,082,368	1,148,389	-	-
Toll revenue including E-Tag	145,283	143,560	-	-
Access fees	69,429	66,601	-	-
Number plates	119,297	112,511	-	-
Fees earned from maritime infrastructure assets	59,642	52,199	-	-
Work & services including construction contract revenue	139,057	55,885	-	-
Third party insurance data access charges	5,677	20,006	-	-
Advertising	61,286	51,497	-	-
Publications	8,400	7,495	-	-
Fees for services rendered including salary recoupments	132,004	145,495	-	-
Other	197,221	101,211	-	-
Ferry lease revenue	5,905	5,742	-	-
	<b>2,025,569</b>	<b>1,910,591</b>	<b>-</b>	<b>-</b>

Other revenue of \$197.2 million (2014: \$101.2 million) includes vehicle related fees, commissions, tours, catering, leases, sale of scrap, sale of products and the early repayment of third party contract contributions on the transfer of the inland route to Australian Rail and Track Corporation.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 3. Revenue (cont'd)

### (d) Investment revenue

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Rents	93,219	96,437	-	-
NSW Tcorp Hour-Glass Investment Facilities designated at fair value through profit or loss	9,307	6,063	-	-
Interest revenue from financial assets not at fair value through profit or loss	41,191	31,337	-	-
Amortisation of zero interest Sydney Harbour Tunnel loan	8,645	8,095	-	-
Interest on finance lease receivables	2,016	-	-	-
	<b>154,378</b>	<b>141,932</b>	-	-

Rental income related to: (a) other properties which are primarily held to support the core transport functions of the reporting entity. The leasing of parts of these properties (\$93.2 million (2014: \$96.4 million)) is therefore, incidental to the core function of the reporting entity. Accordingly, these properties are reported as property, plant and equipment (Note 13) in the statement of financial position.

### (e) Other revenue

Value of emerging interests of Private Sector Provided Infrastructure (note 15)	205,927	204,211	-	-
Amortisation of deferred revenue on Private Sector Provided Infrastructure	14,910	12,065	-	-
M2 and Eastern Distributor promissory notes	-	9,024	-	-
Value of other emerging interests	-	10,117	-	-
Other	5,915	7,041	-	-
Recognition of infrastructure assets	198,452	22,396	-	-
	<b>425,204</b>	<b>264,854</b>	-	-

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

Taxi operators' accreditation renewal fees	2,222	2,182	-	-
Fines	27,467	27,707	-	-
	<b>29,689</b>	<b>29,889</b>	-	-

The reporting entity collects taxi operators' accreditation fees which can only be used to fund taxi industry related operations and initiatives.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 3. Revenue (cont'd)

### (g) Grants and contributions

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Community transport grants	65,931	57,521	-	-
NSW Government agencies - others (non-transport)	240,756	70,065	-	-
Private firms and individuals	16,053	8,842	-	-
Transport entities	-	-	235	230
Crown Entity	344,637	794,725	-	-
Local councils	15,298	71,283	-	-
Other government agencies - inter-state and Commonwealth Government	6,208	7,846	-	-
	<b>688,883</b>	<b>1,010,282</b>	<b>235</b>	<b>230</b>

Community transport grants of \$65.9 million (2014: \$57.5 million) represent grants received from the Department of Family and Community Services, Ageing, Disability and Home Care for the Community Transport Group funding scheme.

Local councils grants of \$15.3 million (2014: \$71.2 million) include roads and bridges transferred (fair value - \$0.1 million (2014: \$69.0 million)) to the reporting entity.

Grant of \$344.6 million (2014: \$794.7 million) from the Crown Entity were provided to fund RailCorp capital projects nil million (2014: \$109.7 million), RMS restart program \$242.9 million (2014: \$424.1) and redundancies \$101.7 million (2014: \$193.0 million), natural disaster monies nil million (2014: \$40.0 million) and other projects nil million (2014: \$27.9 million).

Other NSW Government grants of \$240.7 million (2014: \$70.1 million) include \$144.7million (2014: nil million) received from Service NSW due to delay in transfer of RMS award staff, \$38.2 million (2014: \$20.0 million) from the Barangaroo Delivery Authority to fund Wynyard Walk Project, \$55.0 million (2014: \$5.0million) from Hunter Development Corporation for the Transformation and Transport Program on Heavy Rail Truncation and \$2.3 million (2014: \$1.8 million) from the Motor Accident Authority.

### (h) Acceptance by the Crown Entity of employee benefits and other liabilities

Superannuation - defined benefit	6,810	4,062	(2)	208
Long service leave	30,579	29,204	(100)	(267)
Payroll tax	143	204	-	11
	<b>37,532</b>	<b>33,470</b>	<b>(102)</b>	<b>(48)</b>

### (i) Personnel services revenue

Fee for personnel services provided	-	-	1,472	11,448
	<b>-</b>	<b>-</b>	<b>1,472</b>	<b>11,448</b>

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Proceeds from disposal including credit sales	32,938	122,590	-	-
Written down value of property, plant and equipment disposed (note 13)	(238,639)	(16,786)	-	-
Written down value of intangible assets disposed (note 14)	(1,890)	(323)	-	-
<b>Net gain on disposal</b>	<b>(207,591)</b>	<b>105,481</b>	-	-

### 5. Other gains / (losses)

Property, plant and equipment				
Revaluation increment / (decrement)	-	(1,484)	-	-
Impairment (note 13)	(173,886)	(761,440)	-	-
Gain / (loss) on disposal of non-current assets held for sale	(30,300)	(40,294)	-	-
	<b>(204,186)</b>	<b>(803,218)</b>	-	-
Intangibles				
Impairment (note 14)	(2,125)	(1,622)	-	-
	<b>(2,125)</b>	<b>(1,622)</b>	-	-
Receivables				
Allowance for impairment	(388)	(1,672)	-	-
Bad debts (written off) / recovered	(372)	(407)	-	-
	<b>(760)</b>	<b>(2,079)</b>	-	-
Other				
Unrealised gains/(losses) on TCorp borrowings	(8,941)	-	-	-
Impairment - Inventory	-	(1,189)	-	-
Impairment reversals / (losses) (note 14)	582	(4,270)	-	-
	<b>(8,359)</b>	<b>(5,459)</b>	-	-
	<b>(215,430)</b>	<b>(812,378)</b>	-	-

### 6. Conditions on contributions

The reporting entity collects taxi operators' accreditation fees and receives grants and contributions whose usage is restricted by requirements of the grantors. The reporting entity has complied in full with the externally-imposed requirements in the year under review.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 7. Cash and cash equivalents

	<b>Consolidated 2015 \$'000</b>	<b>Consolidated 2014 \$'000</b>	<b>Parent 2015 \$'000</b>	<b>Parent 2014 \$'000</b>
Cash at bank and on hand	1,543,058	1,150,577	930	17,087
Short term deposits with NSW TCorp	228,699	246,657	-	-
Public revenue bank account	42,932	42,847	-	-
Security deposits	-	7,713	-	-
	<b>1,814,689</b>	<b>1,447,794</b>	<b>930</b>	<b>17,087</b>

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

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

Cash and cash equivalents (per statement of financial position)	1,814,689	1,447,794	930	17,087
Closing cash and cash equivalents (per statement of cash flows)	<b>1,814,689</b>	<b>1,447,794</b>	<b>930</b>	<b>17,087</b>

Refer note 29 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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

Details of credit standby arrangements available to and used by the reporting entity are provided under financial instruments (note 29(c)).

### Restricted cash and cash equivalents

Cash and cash equivalent assets include restricted cash of \$420.0 million (2014: \$208.9 million) (parent entity: nil (2014: nil)) which can only be used for specific purposes and are, therefore, not available to fund the ongoing operations of the reporting entity.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 8. Receivables

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current receivables</b>				
Sale of goods and services	116,468	56,140	-	790
Retained taxes, fees and fines	-	161	-	-
Goods and Services Tax recoverable	239,044	257,931	22	21
Prepayments	42,130	51,479	-	-
Income receivable	94,837	65,736	-	-
Other receivables	32,984	47,382	-	-
Investment income receivable	7,274	8,891	-	-
Finance leases	239	244	-	-
	<b>532,976</b>	<b>487,964</b>	<b>22</b>	<b>811</b>
Less: Allowance for impairment	(10,290)	(10,976)	-	-
	<b>522,686</b>	<b>476,988</b>	<b>22</b>	<b>811</b>
<b>Movement in allowance for impairment</b>				
Balance at 1 July	10,976	9,478	-	-
Increase in allowance (note 5)	388	1,672	-	-
Bad debts written off	(1,074)	(174)	-	-
Balance at 30 June	<b>10,290</b>	<b>10,976</b>	-	-
<b>Non-current</b>				
Finance leases	32,732	30,327	-	-
Other receivables	561	4,252	-	-
Prepayments	8,907	-	-	-
	<b>42,200</b>	<b>34,579</b>	-	-

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in note 29.

## 9. Inventories

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current inventories held for distribution</b>				
Materials, spare parts and other stores	55,863	54,998	-	-
Work in progress	141	1,191	-	-
Less: provision for obsolescence	(11,674)	(8,829)	-	-
	<b>44,330</b>	<b>47,360</b>	-	-
<b>Non-current inventories held for distribution</b>				
Materials, spare parts and other stores	18,334	33,580	-	-
	<b>18,334</b>	<b>33,580</b>	-	-

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 10. Financial assets at fair value

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current</b>				
<b>Financial assets held for trading</b>				
Derivative financial instruments	1,739	587	-	-
<b>Financial assets at fair value through profit or loss</b>				
TCorp Hour-Glass investment facilities	63,597	58,710	-	-
	<b>65,336</b>	<b>59,297</b>	-	-
<b>Non-current</b>				
<b>Financial assets held for trading</b>				
Derivative financial instruments	643	194	-	-
	<b>643</b>	<b>194</b>	-	-

Refer to note 29 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

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

These Policies comply strictly with the internal policies and guidelines within the broad framework of the NSW "Treasury Management Policy" (TPP07 7). Accounting for Treasury instruments is in accordance with NSW Treasury Accounting Policy, "Accounting for Financial Instruments" (TPP08 1). Treasury instruments approved for the management of financial risk are in accordance with the *Public Authorities (Financial Arrangements) Act 1987*.

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

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

## 11. Non-current assets held for sale

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Non-current assets held for sale</b>				
Land and buildings	19,534	33,969	-	-
Plant and equipment	-	320	-	-
Buses	89	131	-	-
<b>Total</b>	<b>19,623</b>	<b>34,420</b>	-	-

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



# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 12. Other financial assets

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current other financial assets</b>				
M7 Receivable	499	-	-	-
<b>Total Other assets</b>	<b>499</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current other financial assets</b>				
Interest free advances to taxi <sup>(1)</sup>	552	733	-	-
Loan to Sydney Harbour Tunnel Company <sup>(2)</sup>	135,867	127,222	-	-
Lane Cove Tunnel Receivable (Westconnex agreement) <sup>(3)</sup>	164,869	-	-	-
M7 Receivable <sup>(3)</sup>	170,991	-	-	-
Promissory notes <sup>(4)</sup>	48,609	50,323	-	-
	<b>520,888</b>	<b>178,278</b>	<b>-</b>	<b>-</b>

Refer to note 29 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

<sup>1</sup> The reporting entity provides repayable interest-free loans to assist taxi operators (in rural and regional NSW) to make taxis wheel-chair accessible. The reporting 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>2</sup> This loan is considered to be part of the reporting entity's interest in the Sydney Harbour Tunnel and at reporting date has been valued on a net present value (NPV) basis. The loan is due for repayment on 31 December 2022.

<sup>3</sup> M7 and Lane Cove Tunnel Receivables relate to concession fees receivable due to the extension of the concession periods in the Private Public Partnership agreements in respect of the Westlink M7 Motorway and the Lane Cove Tunnel, as a result of the NorthConnex project. The amount represents the net present value of a nominal value of \$358.8 million receivable from 30 September 2015 to 31 March 2037 for the M7 project, and a nominal value of \$200.0 million receivable from 31 December 2017 to 30 June 2019 on the Lane Cove Tunnel project. The concession fees receivables are valued at amortised cost.

<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 certain Internal Rate of Return (IRR) or the end of the respective concession period. The promissory notes are valued on a net present value (NPV) basis at reporting date.

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Notes to the financial statements  
for the year ended 30 June 2015

## 13. Property, plant and equipment

	Infrastructure systems				Plant and equipment						Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Total	
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2014</b>											
At cost - Gross carrying amount	232,906	-	4,276,383	4,276,383	52,422	617,250	98,237	-	4,939	772,848	5,282,137
Accumulated depreciation and impairment	-	-	-	-	-	(86,716)	-	-	-	(86,716)	(86,716)
At fair value	3,371,506	101,712,624	35,353,658	137,066,282	1,138,156	-	8,634,311	954,233	283,883	11,010,583	151,448,371
Accumulated depreciation and impairment	(212,763)	(32,231,942)	(12,695,516)	(44,927,458)	(675,355)	-	(3,640,497)	(378,046)	(217,791)	(4,911,689)	(50,051,910)
<b>Net carrying amount</b>	<b>3,391,649</b>	<b>69,480,682</b>	<b>26,934,525</b>	<b>96,415,207</b>	<b>515,223</b>	<b>530,534</b>	<b>5,092,051</b>	<b>576,187</b>	<b>71,031</b>	<b>6,785,026</b>	<b>106,591,882</b>
<b>Year ended 30 June 2015</b>											
At cost - Gross carrying amount	18,899	-	5,296,849	5,296,849	293,934	671,219	93,051	-	9,131	1,067,335	6,383,083
Accumulated depreciation and impairment	-	-	-	-	-	(122,902)	-	-	-	(122,902)	(122,902)
At fair value	4,002,433	107,557,146	38,531,912	146,089,058	873,952	-	8,661,374	955,512	283,883	10,774,721	160,866,212
Accumulated depreciation and impairment	(219,229)	(33,683,952)	(14,051,568)	(47,735,520)	(655,697)	-	(3,889,998)	(398,106)	(228,203)	(5,172,004)	(53,126,753)
<b>Net carrying amount</b>	<b>3,802,103</b>	<b>73,873,194</b>	<b>29,777,193</b>	<b>103,650,387</b>	<b>512,189</b>	<b>548,317</b>	<b>4,864,427</b>	<b>557,406</b>	<b>64,811</b>	<b>6,547,150</b>	<b>113,999,640</b>

\* Out of \$29.8 billion, \$5.1 billion is capital WIP held by rail entities and TfNSW as at 30 June 2015.

There was nil (2014: nil) property, plant and equipment held by the parent.

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Notes to the financial statements  
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## 13. Property, plant and equipment (cont'd)

### Consolidated - Reconciliation

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

Consolidated	Infrastructure systems				Plant and equipment						Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Total	
Year ended 30 June 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at start of year	3,391,649	69,480,682	26,934,525	96,415,207	515,223	530,534	5,092,051	576,187	71,031	6,785,026	106,591,882
Additions	495,531	2,960,590	2,712,761	5,673,351	67,296	85,149	53,590	-	4,192	210,227	6,379,109
Assets recognised for the first time (note 3(e))	-	198,452	-	198,452	-	-	-	-	-	-	198,452
Net revaluation increments less revaluation decrements (note 5)	65,422	2,881,057	1,076,207	3,957,264	-	-	-	(25)	-	(25)	4,022,661
Disposals (note 4)	(55,286)	-	(178,774)	(178,774)	(4,095)	-	(467)	(17)	-	(4,579)	(238,639)
Impairment losses (note 5)	-	(172,118)	-	(172,118)	(1,733)	-	-	(35)	-	(1,768)	(173,886)
Assets transferred to/from non-current assets held for sale	(28,266)	-	(700)	(700)	-	-	-	42	-	42	(28,924)
Reclassifications between PPE classes	(7,192)	15,605	57,021	72,626	(36,311)	(31,360)	(29,122)	31,360	-	(65,433)	1
Reclassifications to/from intangible assets (note 14)	-	-	-	-	51,400	-	-	-	-	51,400	51,400
Reclassifications to/from other assets	-	-	-	-	-	-	-	(3,141)	-	(3,141)	(3,141)
Depreciation expense (note 2(d))	(28,809)	(1,489,327)	(816,881)	(2,306,208)	(80,018)	(36,006)	(251,625)	(46,965)	(10,412)	(425,026)	(2,760,043)
Increase/(decrease) in net assets from equity transfers (note 30)	(30,946)	-	(3,200)	(3,200)	427	-	-	-	-	427	(33,719)
Roads and bridges transferred to and from local councils (note 2(e) and note 3(g))	-	(1,747)	(3,766)	(5,513)	-	-	-	-	-	-	(5,513)
<b>Net carrying amount at 30 June 2015</b>	<b>3,802,103</b>	<b>73,873,194</b>	<b>29,777,193</b>	<b>103,650,387</b>	<b>512,189</b>	<b>548,317</b>	<b>4,864,427</b>	<b>557,406</b>	<b>64,811</b>	<b>6,547,150</b>	<b>113,999,640</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

The reclassifications comprise mainly transfer of plant and equipment from intangible assets and finance lease receivables.

Roads were transferred to and from councils.

- (a) Full valuations on land and buildings were undertaken in a number of the controlled entities in 2014-15. The fair value of such assets are stated at fair value using either the direct comparison approach or depreciated replacement cost (DRC).
- (b) Full valuations on infrastructure assets; roads, bridges and land and building acquired for future road works, were performed in 2012-2013.
- (c) All road infrastructure assets are stated at fair value using the DRC approach:

The methods and significant assumptions applied in estimating the 'Roads' asset class fair values include Primary Approach, Secondary Approach and Hybrid Approach;

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

Land and buildings acquired for future road works, where possible, the fair value are determined by reference to recent market transactions, using the following methods and assumptions:

- The pre-acquisition market value was used as the base value for determining fair value.
- The base value for land and building parcels acquired after 1999 has been increased by movements in the NSW Valuer-General's Land Price Index (LPI) for the period 2000-2012.
- For land and buildings parcels purchased prior to 2000 or where pre-acquisition market values were not available, a rate per square metre was calculated from recent market transactions within the same or similar Local Government Areas and applied to the current parcel area.

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Notes to the financial statements  
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## 13. Property, plant and equipment (cont'd)

### Consolidated - Reconciliation

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

Consolidated	Infrastructure systems				Plant and equipment					Total property, plant and equipment	
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries		Total
Year ended 30 June 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at start of year	3,298,044	66,610,909	25,076,637	91,687,546	513,987	511,724	3,917,223	581,794	78,791	5,603,519	100,589,109
Additions	186,209	2,810,810	2,498,575	5,309,385	29,454	83,681	883,788	9,757	4,939	1,011,619	6,507,213
Assets recognised for the first time	-	22,396	-	22,396	-	-	-	-	-	-	22,396
Net revaluation increments less revaluation decrements (note 5)	19,398	2,104,987	187,484	2,292,471	(15,958)	-	480,219	-	744	465,005	2,776,874
Disposals (note 4)	-	-	(4,822)	(4,822)	(6,611)	-	(337)	(5,016)	-	(11,964)	(16,786)
Impairment losses (note 5)	(23,316)	(679,285)	(58,969)	(738,254)	(272)	-	-	-	-	(272)	(761,842)
Assets transferred to/from non-current assets held for sale	(39,926)	-	(8,536)	(8,536)	(2,999)	-	(54)	-	-	(3,053)	(51,515)
Reclassifications between PPE classes	(19,997)	10,512	(19,139)	(8,627)	(1,544)	(32,546)	31,223	32,546	(1,055)	28,624	-
Reclassifications to/from intangible assets (note 14)	-	-	-	-	73,365	-	-	-	-	73,365	73,365
Reclassifications to/from other assets	-	-	-	-	9	-	-	1	-	10	10
Depreciation expense (note 2(d))	(28,763)	(1,383,100)	(736,705)	(2,119,805)	(74,208)	(32,325)	(220,011)	(42,895)	(12,388)	(381,827)	(2,530,395)
Roads and bridges transferred to and from local councils (note 2(e) and note 3(g))	-	(16,547)	-	(16,547)	-	-	-	-	-	-	(16,547)
<b>Net carrying amount at 30 June 2014</b>	<b>3,391,649</b>	<b>69,480,682</b>	<b>26,934,525</b>	<b>96,415,207</b>	<b>515,223</b>	<b>530,534</b>	<b>5,092,051</b>	<b>576,187</b>	<b>71,031</b>	<b>6,785,026</b>	<b>106,591,882</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 14. Intangibles assets

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Intangible assets</b>				
Cost (gross carrying amount)	1,579,015	1,232,087	-	-
Accumulated amortisation and impairment	(419,364)	(352,307)	-	-
<b>Net carrying amount at fair value</b>	<b>1,159,651</b>	<b>879,780</b>	<b>-</b>	<b>-</b>
Net carrying amount at beginning of the year	879,780	688,196	-	-
Additions	413,246	339,267	-	-
Reclassifications to property, plant and equipment (note 13)	(51,400)	(73,365)	-	-
Impairment reversals / (losses) (note 5)	582	(4,270)	-	-
Amortisation expense (note 2(d))	(79,224)	(68,103)	-	-
Acquisitions through administrative restructure (note 30)	682	-	-	-
Impairment - intangibles (note 5)	(2,125)	(1,622)	-	-
Disposals (note 4)	(1,890)	(323)	-	-
<b>Net carrying amount at end of year</b>	<b>1,159,651</b>	<b>879,780</b>	<b>-</b>	<b>-</b>

## 15. Other assets

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Non-current other assets</b>				
Right to receive privately financed transport infrastructure (see below for movements)	1,437,396	1,231,469	-	-
Right to receive ferry inventory	119	-	-	-
	<b>1,437,515</b>	<b>1,231,469</b>	<b>-</b>	<b>-</b>
<b>Movement in right to receive privately financed transport infrastructure</b>				
Balance 1 July	1,231,469	1,027,258	-	-
Period increment emerging right to receive (note 3(e))	205,927	204,211	-	-
Reclassification from inventory	119	-	-	-
<b>Net carrying amount at end of year</b>	<b>1,437,515</b>	<b>1,231,469</b>	<b>-</b>	<b>-</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

### (a) Fair value hierarchy

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2015.

2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Property, plant and equipment (note 13)</b>				
Land and buildings	-	2,926,926	850,974	3,777,900
Plant and equipment				
Plant and equipment	-	1,049	217,206	218,255
Rolling stock	-	-	4,771,376	4,771,376
Buses	-	-	549,169	549,169
Ferries	-	-	55,680	55,680
Infrastructure systems				
Road and maritime systems	-	-	73,873,194	73,873,194
Rail systems	-	-	24,480,344	24,480,344
<b>Non-current assets held for sale (note 11)</b>	-	2,741	16,882	19,623
<b>Other non-financial assets (note 15)</b>	-	-	1,437,396	1,437,396
	-	<b>2,930,716</b>	<b>106,252,221</b>	<b>109,182,937</b>

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

2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Property, plant and equipment (note 13)</b>				
Land and buildings	-	2,517,906	637,473	3,155,379
Plant and equipment				
Plant and equipment	-	1,851	222,731	224,582
Rolling stock	-	-	4,993,814	4,993,814
Buses	-	-	564,908	564,908
Ferries	-	-	66,092	66,092
Infrastructure systems				
Road and maritime systems	-	-	69,480,682	69,480,682
Rail systems	-	-	22,658,142	22,658,142
<b>Non-current assets held for sale (note 11)</b>	-	5,262	29,158	34,420
<b>Other non-financial assets (note 15)</b>	-	-	1,231,469	1,231,469
	-	<b>2,525,019</b>	<b>99,884,469</b>	<b>102,409,488</b>

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

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

### (b) Valuation techniques

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

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

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

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

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

### (c) Valuation processes and inputs

The Department of Transport engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets at the end of the reporting period, at least every 5 years. During the financial year 2015, a full valuation of the following assets was carried out by independent valuers, with the other non-financial assets not required to be revalued:

- The fair value of land and building in Transport for NSW was determined by Preston Rowe Paterson.
- The fair value of land at RailCorp was valued by Land and Property Information.
- The fair value of buildings at RailCorp were valued by Advisian Pty Ltd.
- The fair value of buildings at Sydney Trains were valued by Advisian Pty Ltd.

Assets are also measured at fair value on a non-recurring basis as a result of reclassifying them as held for sale. Changes in the valuation are analysed at each reporting date during the discussion between management and the valuer.



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

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

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

- **Land and building** - acquisition cost, sale prices for comparable properties, rate per square metre of land area, land size, replacement building costs are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each property, adjusted for the specific attributes of the property being revalued, such as location, land use, landing values applying in the locality and taking into consideration the implications of the applicable existing lease over the property. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry. Construction costs incurred are determined by management in accordance with applicable Australian Accounting Standards.
- **Plant and equipment** – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.
- **Light rail infrastructure and rolling stock** – replacement costs, construction project costs, length of the tracks, overhead power and stabling yards, number of stops/stations, economic working lives of the assets, expired and remaining economic life, depreciation methods, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Country rail infrastructure assets** - replacement cost for modern equivalent assets, unit of measure for each asset, appropriate indexation factors, expected useful life and remaining life of the assets are estimated by the external valuer and/or management based on recently completed transactions, projects, and current market rates where available, with allowances for demolition of the existing property, contractor's off-site overheads and margin, and the location factor.
- **Trackwork and other rail infrastructure assets** – raw materials and labour rates, pricing for tracks/wiring, construction methodology, structural foundations, and other specific allowances were estimated by the external valuer to establish the optimised replacement cost of each asset, taking into consideration historical data, existing assets and current railway infrastructure technologies. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry.
- **Other rolling stock** – prices from relevant contracts awarded for the manufacture of the asset, international transportation costs, structural modification costs, replacement cost, are estimated by the external valuer, based on replacement costs of both domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence and qualitative attractiveness of the fleet sub types relative to the modern equivalent. International prices and exchange rates are adjusted for international transportation costs or structural modifications. Technical data and remaining life of rolling stock were confirmed by the engineering staff of Sydney Trains and Transport for NSW.
- **Road infrastructure** – unit replacement rates for road, bridge and traffic control signal infrastructure valuation is carried out by suitably qualified engineering contractors and employees of Roads and Maritime Services, by reference to unit prices quoted in the most recent relevant infrastructure construction tender documents, where the price range is adjusted to eliminate outlier amounts. The unit replacement rates are adjusted by the Road Cost Index as applicable. Land under roads and within road reserves are revalued annually by applying the most recent urban rateable average value per hectare provided by the Valuer General to the land under roads and within reserves within each Local Government Area.
- **Ferries** - depreciated replacement cost, including delivery and professional fees were estimated by the external valuer based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the agreed criteria with management. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.
- **Buses** – current replacement costs, market value, mileage, added benefits for purchasers as a business than the typical market-place purchaser such as continuation of the use of State Transit Authority paint schemes and livery, stamp duty and transfer fee associated with the transfer of ownership of a bus route, and fleet compilation and history, are estimated and obtained by the external valuer based on the known sales, asking prices, historical purchase prices, discussion with the entity and used bus and coach dealers.

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

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

- **Non-current asset held for sale** - rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.
- **Leasehold improvement make good** - restoration cost per square metre, inflation rate, market yield on Government bonds, lease terms are estimated and obtained by management.
- **Emerging interest from Public Private Partnership Projects** – replacement costs, inflation rate and discount rate are determined by management in accordance with Treasury policy.

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

There were no transfers between level 1 and 2 for recurring and non-recurring fair value measurements during the year.

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

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Notes to the financial statements  
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## 16. Fair value measurement of non-financial assets (cont'd)

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

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

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Land	Direct comparison approach: this valuation method involves comparing the subject property to comparable sale prices in similar location on a rate per square metre basis, adjusted for differences in key attributes of the land such as size, location and land use.	<ul style="list-style-type: none"> <li>Rate per square metre</li> <li>Discount rate</li> <li>Provision for remediation</li> </ul>	In aggregate \$681.0 million (2014: \$480.6 million)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>rate per square metre increase/(decrease)</li> <li>discount rate decrease/(increase)</li> <li>provision for remediation decrease/(increase)</li> </ul>
Building	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis, taking in account the allowance for preliminaries and contractor's offsite overheads and profits; depreciated to reflect the building's remaining useful life.	<ul style="list-style-type: none"> <li>Useful life</li> <li>Allowance for preliminaries</li> <li>Allowance for offsite overheads and profit</li> <li>Replacement cost rate per square metre</li> <li>mark up rate on replacement cost for each construction component</li> <li>replacement costs</li> <li>Residual value</li> </ul>	In aggregate \$169.0million (2014: \$154.9 million)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>useful lives increase/(decrease)</li> <li>allowance for preliminaries increase/(decrease)</li> <li>allowance for offsite overheads and profit increase/(decrease)</li> <li>replacement cost/rates increase/(decrease)</li> <li>mark up rate on replacement cost increase/(decrease)</li> <li>residual value increase/(decrease)</li> </ul>
Leasehold Improvement Make Good	Depreciated replacement cost and discounted cash flow approaches: this valuation method involves estimating of the restoration costs on the leased property on the rate per square metre basis, adjusted for inflation, discounted and depreciated to reflect the remaining lease period.	<ul style="list-style-type: none"> <li>Discount rate</li> <li>Restoration rate per square metre</li> <li>Inflation rate</li> </ul>	In aggregate \$3.2 million (2014: \$1.9 million)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>discount rate decrease/(increase)</li> <li>restoration cost per square metre increase/(decrease)</li> <li>inflation rate increase/(decrease)</li> </ul>

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Notes to the financial statements  
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## 16. Fair value measurement of non-financial assets (cont'd)

### (d) Valuation input and relationships to fair value (cont'd)

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Plant and Equipment	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each asset class, depreciated to reflect the asset's remaining useful life.	<ul style="list-style-type: none"> <li>Useful life</li> <li>Replacement cost</li> </ul>	In aggregate \$217.2 million (2014: \$222.7 million)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>useful lives increase/(decrease)</li> <li>replacement cost increase/(decrease)</li> </ul>
Country Rail Infrastructure	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each asset class, adjusted for overdesign, overcapacity and redundant components; depreciated to reflect the asset's remaining useful life. The replacement costs are reviewed and adjusted regularly.	<ul style="list-style-type: none"> <li>Useful life</li> <li>Indexation factor</li> <li>Allowance for design, preliminaries, test and commissioning</li> <li>Allowance for offsite overheads and margin</li> <li>replacement cost</li> </ul>	In aggregate \$1.9 billion (2014: \$1.6 billion)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>useful lives increase/(decrease)</li> <li>indexation factor increase/(decrease)</li> <li>allowance for design, preliminaries, test and commissioning increase/(decrease)</li> <li>allowance for offsite overheads and margin increase/(decrease)</li> <li>replacement cost increase/(decrease)</li> </ul>
Rail Infrastructure (other)	Depreciated replacement cost approach: this valuation method involves establishing the gross current replacement cost of the assets, depreciating them to reflect their anticipated effective working lives, taking into account their estimated residual values, all relevant forms of obsolescence and residual value.	<ul style="list-style-type: none"> <li>Effective life</li> <li>Residual value</li> <li>Average inflation rate to derive indexed historical costs</li> <li>Replacement cost</li> <li>Project cost</li> </ul>	In aggregate \$22.6 billion (2014: \$21.1 billion)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>effective life increase/(decrease)</li> <li>residual value increase/(decrease)</li> <li>average inflation rate increase/(decrease)</li> <li>replacement cost increase/(decrease)</li> <li>project cost increase/(decrease)</li> </ul>

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Notes to the financial statements  
for the year ended 30 June 2015

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

### (d) Valuation input and relationships to fair value (cont'd)

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Rolling Stock	Depreciated replacement cost approach: this valuation method involves establishing the gross current replacement cost of the assets, depreciating them to reflect their anticipated effective working lives, taking into account their estimated residual values, all relevant forms of obsolescence and residual value.	<ul style="list-style-type: none"> <li>• Effective life</li> <li>• Residual value percentage</li> <li>• Average inflation rate to derive indexed historical costs</li> <li>• Replacement costs</li> <li>• Project cost</li> <li>• International prices</li> <li>• Foreign exchange rates</li> </ul>	In aggregate \$4.8 billion (2014: \$5.0 billion)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>• effective life increase/(decrease)</li> <li>• average inflation rate increase/(decrease)</li> <li>• replacement cost increase/(decrease)</li> <li>• project cost increase/(decrease)</li> <li>• international prices increase/(decrease)</li> <li>• foreign exchange rates increase/(decrease)</li> </ul>
Roads	<p>Depreciated replacement cost approach is used for significant road asset components, where assets are depreciated over the estimated useful life depending on road component type.</p> <p>Earthworks are not depreciated and are valued at revalued (by Road Cost Index) historical cost.</p> <p>Fair value is revalued in interim periods between comprehensive revaluations by movements in the Road Cost Index (RCI).</p>	<ul style="list-style-type: none"> <li>• Replacement cost per unit of road asset component</li> <li>• Road cost index</li> <li>• Useful life for each road asset component</li> </ul>	In aggregate \$52.2 billion (2014: \$48.6 billion)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>• Replacement cost for the component increase/(decrease)</li> <li>• Current year Road Cost Index is greater than or less than 1</li> <li>• Useful life increase/(decrease)</li> </ul>

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Notes to the financial statements  
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## 16. Fair value measurement of non-financial assets (cont'd)

### (d) Valuation input and relationships to fair value (cont'd)

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Land under road	<p>The urban Average Rateable Value (ARV) per hectare within each Local Government Area (LGA) adjusted by an "open spaces ratio".</p> <p>The "open spaces ratio" is derived from open spaces data provided by the NSW Valuer General and is used to adjust average rateable value to approximate englobo value (unimproved and pre-subdivision land).</p>	<ul style="list-style-type: none"> <li>Local Government Area rateable land values provided by the NSW Valuer General</li> <li>Measurements of land area in situ under roads</li> <li>urban Average Rateable Value (ARV) per hectare (by LGA)</li> </ul>	In aggregate \$1.7 billion (2014: \$1.4 billion)	<p>The fair value will increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>Weighted current year urban ARV (by LGA) increase/(decrease)</li> </ul>
Road bridges	<p>Depreciated replacement cost approach is used. Cost/m2 rates per bridge type are derived from current estimated bridge construction costs. Bridge asset fair value is determined by applying the replacement rate by type to bridge area.</p> <p>Fair value is revalued in interim periods between comprehensive revaluations by movements in the RCI.</p>	<ul style="list-style-type: none"> <li>Replacement cost per unit of bridge assets</li> <li>Road cost index</li> <li>Estimated useful life depending on bridge type.</li> </ul>	In aggregate \$13.9 billion (2014: \$13.6 billion)	<p>The fair value will increase/decrease if:</p> <ul style="list-style-type: none"> <li>Current replacement cost for the bridge type increase/(decrease)</li> <li>Current year RCI is greater than or less than 1</li> <li>the estimated useful life of the bridge type increase/(decrease)</li> </ul>

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Notes to the financial statements  
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## 16. Fair value measurement of non-financial assets (cont'd)

### (d) Valuation input and relationships to fair value (cont'd)

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Sydney Harbour Tunnel	<p>Depreciated replacement cost approach is used.</p> <p>Fair value is revalued in interim periods between comprehensive revaluations by movements in the RCI.</p> <p>Earthworks are not depreciated and are valued at revalued (by RCI) historical cost</p> <p>Depreciation was applied over estimates of useful lives of those component types.</p>	<ul style="list-style-type: none"> <li>Replacement cost</li> <li>Estimated useful life of each asset component</li> <li>Road cost index</li> </ul>	In aggregate \$957.6 million (2014: \$945.4 million)	<p>The fair value will increase/decrease if:</p> <ul style="list-style-type: none"> <li>Current replacement cost increase/(decrease)</li> <li>Current year RCI is greater than or less than 1</li> <li>The estimated useful life of each asset components increase/(decrease)</li> </ul>
Traffic Signals Network	<p>Depreciated replacement cost approach is used.</p> <p>Fair value is revalued in interim periods between comprehensive revaluations by movements in the RCI.</p>	<ul style="list-style-type: none"> <li>Current unit replacement costs</li> <li>Road cost index</li> <li>useful life of asset components</li> </ul>	In aggregate \$152.4 million (2014: \$167.8 million)	<p>The fair value will increase/decrease if:</p> <ul style="list-style-type: none"> <li>Current replacement cost for Traffic Signals Network components increase/(decrease)</li> <li>Current year RCI is greater than or less than 1</li> <li>the estimated useful life of Traffic Signals Network components increase/(decrease)</li> </ul>
Traffic Control Network	<p>Depreciated replacement cost approach is used.</p> <p>Assets are depreciated over estimated useful life depending on component type.</p> <p>Fair value is revalued in interim periods between comprehensive revaluations by movements in the RCI.</p>	<ul style="list-style-type: none"> <li>Current unit replacement costs</li> <li>Road cost index</li> <li>useful life of asset components</li> </ul>	In aggregate \$158.9 million (2014: \$155.0 million)	<p>The fair value will increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>Current replacement cost increase/(decrease)</li> <li>Current year RCI is greater than or less than 1</li> <li>the estimated useful life of Traffic Control Network components increase/(decrease)</li> </ul>

# Department of Transport

Notes to the financial statements  
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## 16. Fair value measurement of non-financial assets (cont'd)

### (d) Valuation input and relationships to fair value (cont'd)

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Maritime infrastructure assets	<p>Depreciated replacement cost and capitalised revenue approaches are used.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value determined using depreciated replacement cost is re-valued in interim periods between comprehensive revaluations by movements in the RCI.</p> <p>Estimates of total revenue earned on long term mooring and wetland leases are capitalised at net present value.</p>	<ul style="list-style-type: none"> <li>• Current unit replacement costs</li> <li>• Estimated total lease revenue</li> <li>• Useful life of asset components</li> <li>• Road cost index</li> </ul>	In aggregate \$550.1 million (2014: \$521.2 million)	<p>The fair value will increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• Current replacement cost increase/(decrease)</li> <li>• Current year RCI is greater than or less than 1</li> <li>• the estimated useful life of Maritime assets components increase/(decrease)</li> </ul>
Road infrastructure work in progress	Construction cost approach is used: this valuation method involves the use of actual cost of infrastructure assets under construction.	<ul style="list-style-type: none"> <li>• Actual cost</li> </ul>	In aggregate \$4.3 billion (2014: \$4.0 billion)	Fair value at actual current cost unlikely to change.
Ferries	Depreciated replacement cost: this valuation method involves application of straight-line depreciation to the vessels to best measure the remaining economic benefits embodied in the asset, taking into account lowest cost of replacing the vessel.	<ul style="list-style-type: none"> <li>• Useful lives</li> <li>• Optimised replacement costs</li> <li>• Residual value</li> </ul>	In aggregate \$55.7 million (2014: \$66.1 million)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>• useful lives increase/(decrease)</li> <li>• optimised replacement cost increase/(decrease)</li> <li>• residual value increase/(decrease)</li> </ul>



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Notes to the financial statements  
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## 16. Fair value measurement of non-financial assets (cont'd)

### (d) Valuation input and relationships to fair value (cont'd)

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Buses	Sales comparison and depreciated replacement cost approaches: these valuation methods involve comparing the subject assets to the comparable sales for second-hand use buses when there is an active market, then uplifted to reflect the benefits a buyer of the bus as part of a business receives over and above the typical market-place buyer; and using current replacement costs based on the most recent advised cost for each type of buses, in the absence of evidence of secondary sales, depreciated to best measure the remaining economic benefit embodies in the assets.	<ul style="list-style-type: none"> <li>Useful lives</li> <li>Residual value</li> <li>Company paint schemes and livery</li> <li>Stamp duty and transfer fees</li> <li>Premium for Fleet compilation and history</li> </ul>	In aggregate \$549.2 million (2014: \$564.9 million)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>useful lives increase/(decrease)</li> <li>residual value increase/(decrease)</li> <li>company paint schemes and livery increase/(decrease)</li> <li>stamp duty and transfer fees increase/(decrease)</li> <li>premium for fleet compilation and history increase/decrease</li> </ul>
Assets held for sale	Direct comparison and direct capitalisation approaches: these valuation methods involve comparing the subject asset to comparable sales in similar and surrounding locations on a rate per square metre of the gross floor area, and current market trading value on a price per gaming entitlements and permits basis, adjusted for key attributes such as location, size, demand, sales condition and market condition.	<ul style="list-style-type: none"> <li>Rate per square metre of the gross floor area</li> <li>Market value per block of gaming machine entitlements</li> <li>Market value per poker machine permits</li> <li>Valuation decline factor</li> <li>Sales cost per property</li> </ul>	In aggregate \$16.9 million (2014: \$29.1 million)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>rate per square metre of the gross floor area increase/(decrease)</li> <li>market value per block of gaming machine entitlement increase/(decrease)</li> <li>market value of per poker machine permits increase/(decrease)</li> <li>valuation decline factor decrease/(increase)</li> <li>sales cost per property (increase)/decrease</li> </ul>

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Notes to the financial statements  
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## 16. Fair value measurement of non-financial assets (cont'd)

### (d) Valuation input and relationships to fair value (cont'd)

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Emerging Interest Assets	Present value approach: this valuation method involves determining the replacement cost (fair value) of the underlying physical assets at the end of the public private partnership contract, allocating the replacement cost over the contract period as the compounding value of an annuity discounted using the NSW Government bond rate applicable at the commencement of the contract, adjusted for inflation.	<ul style="list-style-type: none"> <li>Replacement cost</li> <li>Discount rate</li> <li>Inflation rate</li> </ul>	In aggregate \$1.4 billion (2014: \$1.2 billion)	<p>The fair value will increase/(decrease) if the estimated:</p> <ul style="list-style-type: none"> <li>replacement cost increase/(decrease)</li> <li>discount rate decrease/(increase)</li> <li>inflation rate increase/(decrease)</li> </ul>

There were no significant inter-relations between unobservable inputs that would materially affect the overall valuation.

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Notes to the financial statements  
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## 16. Fair value measurement of non-financial assets (cont'd)

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

2015	Buildings \$'000	Plant & equipment \$'000	Infrastructure systems \$'000	Other assets \$'000	Total \$'000
Fair value as at 1 July 2014	637,473	5,847,545	92,138,824	1,231,469	99,855,311
Additions	52,156	99,717	4,586,838	205,927	4,944,638
Revaluation increments/decrements recognised in net result - included in the line item 'other gains/ (losses)'		-	-	-	-
Revaluation increments/ decrements recognised in other comprehensive income - included in line item /net increase / (decrease) in property, plant and equipment revaluation surplus'	(51,278)	-	3,957,264	-	3,905,986
Transfers from Level 2	-	-	19,924	-	19,924
Transfers to Level 2	-	-	(4,319)	-	(4,319)
Transfer (to) / from council	-	-	(1,747)	-	(1,747)
Assets recognised for the first time	-	-	198,452	-	198,452
Transfer (to) / from assets held for sale	-	-	(700)	-	(700)
Disposals	(37)	(6,468)	(226,032)	-	(232,537)
Depreciation	(12,624)	(347,344)	(2,306,208)	-	(2,666,176)
Other movements	225,284	(19)	(8,758)	-	216,507
<b>Fair value as at 30 June 2015</b>	<b>850,974</b>	<b>5,593,431</b>	<b>98,353,538</b>	<b>1,437,396</b>	<b>106,235,339</b>

RailCorp transferred infrastructure assets amounting to \$4.3m from level 3 to level 2 in the current year. LPI have determined that the principles of discounts applied to land are based on observable court decisions.

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Notes to the financial statements  
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### 16. Fair value measurement of non-financial assets (cont'd)

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

2014	Buildings \$'000	Plant & equipment \$'000	Infrastructure systems \$'000	Other assets \$'000	Total \$'000
Fair value as at 1 July 2013	665,756	4,769,640	88,195,968	1,027,257	94,658,621
Additions	438	910,496	4,587,050	204,212	5,702,196
Revaluation increments/decrements recognised in net result - included in the line item 'other gains/ (losses)'	(1,484)	(8,570)	(94,301)	-	(104,355)
Revaluation increments/ decrements recognised in other comprehensive income - included in line item /net increase / (decrease) in property, plant and equipment revaluation surplus'	11,917	465,295	2,197,596	-	2,674,808
Transfers from Level 2	-	-	10,512	-	10,512
Transfer (to) / from council	-	-	(16,534)	-	(16,534)
Assets recognised for the first time	-	-	22,396	-	22,396
Transfer (to) / from assets held for sale	(17,562)	2,070	(8,536)	-	(24,028)
Disposals	(1,061)	(6,289)	(634,886)	-	(642,236)
Depreciation	(9,739)	(316,882)	(2,120,453)	-	(2,447,074)
Other movements	(10,792)	31,785	12	-	21,005
<b>Fair value as at 30 June 2014</b>	<b>637,473</b>	<b>5,847,545</b>	<b>92,138,824</b>	<b>1,231,469</b>	<b>99,855,311</b>

### 17. Payables

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current payables</b>				
Accrued salaries, wages and on-costs	65,489	75,731	2	71
Trade creditors	285,628	350,211	-	-
Interest	17,176	16,484	-	-
Accruals	1,581,967	1,532,933	214	590
Other creditors*	163,583	100,765	509	16,337
	<b>2,113,843</b>	<b>2,076,124</b>	<b>725</b>	<b>16,998</b>

\*. It relates to intercompany payables to Transport for NSW (TfNSW) from the parent entity.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 29.

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Notes to the financial statements  
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## 18. Borrowings

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current borrowings</b>				
NSW Treasury advances repayable	2,033	2,173	-	-
NSW TCorp borrowings	576,596	1,134,745	-	-
Finance leases (note 23)	95,885	204,000	-	-
Other loans and deposits	97	149	-	-
	<b>674,611</b>	<b>1,341,067</b>	-	-
<b>Non-current borrowings</b>				
NSW Treasury advances repayable	-	2,033	-	-
NSW TCorp borrowings	1,515,777	969,458	-	-
Finance leases (note 23)	2,908,802	2,890,670	-	-
Other loans and deposits	-	93	-	-
	<b>4,424,579</b>	<b>3,862,254</b>	-	-

The finance leases relate to the provision of a maintenance facility, simulators and trains under a public private partnership (PPP) for rolling stock and 'deemed finance lease' arrangements for buses under the Sydney, metropolitan and outer metropolitan bus contracts with private transport operators.

### Repayment of borrowings

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
Not later than one year	674,611	1,341,067	-	-
Between one and five years	1,262,100	1,547,573	-	-
Later than five years	3,162,479	2,314,681	-	-
<b>Total borrowings at face value</b>	<b>5,099,190</b>	<b>5,203,321</b>	-	-

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in note 29.

# Department of Transport

Notes to the financial statements  
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## 19. Employee benefits

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current employee benefits</b>				
Annual leave*	296,869	297,130	7	620
Long service leave*	529,711	529,071	2	84
Workers' compensation insurance	17,926	20,612	-	7
Payroll tax	5,564	5,340	1	21
Fringe benefits tax	217	168	217	168
Public holidays	25,648	25,216	-	-
Severance payments / redundancies	34,381	49,661	-	-
	<b>910,316</b>	<b>927,198</b>	<b>227</b>	<b>900</b>
<b>Non-current employee benefits</b>				
Long service leave	48,466	43,586	-	-
Workers' compensation insurance	90,301	101,859	-	-
Superannuation	2,024,518	1,961,665	-	-
	<b>2,163,285</b>	<b>2,107,110</b>	<b>-</b>	<b>-</b>

\* It is estimated that the provision for annual leave includes \$37.4 million (2014: \$53.7 million) and long service leave includes \$471.8 million (2014: \$230.6 million) that are expected to be paid later than 12 months.

### Defined-benefit superannuation overview

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

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

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

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

Year ended 30 June 2015	SASS	SANCS	SSS	Total
<b>Member numbers</b>				
Contributors	3,526	3,652	126	7,304
Deferred benefits	-	-	38	38
Pensioners	935	-	1,327	2,262
Pensions fully commuted	-	-	488	488
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability <sup>1</sup>	2,645,325	225,109	1,573,232	4,443,666
Estimated reserve account balance	(1,684,563)	(148,345)	(586,240)	(2,419,148)
Deficit/(surplus)	<b>960,762</b>	<b>76,764</b>	<b>986,992</b>	<b>2,024,518</b>
Future service liability <sup>2</sup>	105,777	71,830	12,858	190,465
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in statement of financial position	<b>960,762</b>	<b>76,764</b>	<b>986,992</b>	<b>2,024,518</b>
<b>Year ended 30 June 2014</b>				
<b>Member numbers</b>				
Contributors	4,175	4,410	235	8,820
Deferred benefits	-	-	43	43
Pensioners	784	-	1,281	2,065
Pensions fully commuted	-	-	501	501
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability <sup>1</sup>	2,596,297	244,944	1,542,056	4,383,297
Estimated reserve account balance	(1,652,483)	(153,881)	(615,268)	(2,421,632)
Deficit/(surplus)	<b>943,814</b>	<b>91,063</b>	<b>926,788</b>	<b>1,961,665</b>
Future service liability <sup>2</sup>	125,332	87,543	16,779	229,654
Surplus in excess of recovery available from schemes	-	-	-	-
	<b>943,814</b>	<b>91,063</b>	<b>926,788</b>	<b>1,961,665</b>

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

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

## 19. Employee benefits (cont'd)

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

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

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

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

All the Schemes are closed to new members.

- **Description of the regulatory framework**

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012. The next actuarial investigation is due as at 30 June 2015 and the report is expected to be released by the end of 2015.

- **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.



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Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

- Description of risks**

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

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

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

- Description of significant events**

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

- Reconciliation of the Net Defined Benefit Liability/(Asset)**

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of year	943,814	91,063	926,789	1,961,665
Current service cost	31,565	10,341	2,734	44,640
Net Interest on the net defined benefit liability/(asset)	32,800	2,901	33,080	68,781
Actual return on Fund assets less Interest income	(134,720)	(11,407)	(45,427)	(191,555)
Actuarial (gains)/losses arising from changes in demographic assumptions	8,986	983	67	10,036
Actuarial (gains)/losses arising from changes in financial assumptions	128,599	8,615	118,244	255,458
Actuarial (gains)/losses arising from liability experience	(195)	(6,005)	(48,143)	(54,343)
Employer contributions	(36,357)	(17,797)	(352)	(54,506)
Effects of transfers in/out due to business combinations and disposals	(13,730)	(1,930)	-	(15,658)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>960,762</b>	<b>76,764</b>	<b>986,992</b>	<b>2,024,518</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

Year ended 30 June 2014	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of year	832,743	67,299	937,830	1,837,872
Current service cost	33,756	11,090	3,764	48,610
Net Interest on the net defined benefit liability/(asset)	26,472	2,875	35,792	65,139
Actual return on Fund assets less Interest income	(141,153)	(16,507)	(49,576)	(207,236)
Actuarial (gains)/losses arising from changes in financial assumptions	111,057	16,661	51,701	179,419
Actuarial (gains)/losses arising from liability experience	93,270	13,207	(51,946)	54,531
Employer contributions	(12,331)	(3,562)	(777)	(16,670)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>943,814</b>	<b>91,063</b>	<b>926,788</b>	<b>1,961,665</b>

- Reconciliation of the Fair Value of Fund Assets

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at beginning of the year	1,652,483	153,881	615,267	2,421,633
Interest income	56,071	5,253	20,961	82,285
Actual return on Fund assets less Interest income	134,720	11,407	45,427	191,555
Employer contributions	36,357	17,797	352	54,506
Contributions by participants	19,238	-	3,182	22,420
Benefits paid	(275,568)	(40,259)	(104,927)	(420,754)
Taxes, premiums & expenses paid	66,487	491	5,978	72,954
Transfers in/out due to business combinations and disposals	(5,225)	(225)	-	(5,451)
<b>Fair value of fund assets at end of the year</b>	<b>1,684,563</b>	<b>148,345</b>	<b>586,240</b>	<b>2,419,148</b>

Year ended 30 June 2014	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at beginning of the year	1,828,769	208,385	620,099	2,657,253
Interest income	64,368	6,396	22,344	93,108
Actual return on Fund assets less Interest income	141,153	16,507	49,576	207,236
Employer contributions	12,332	3,562	777	16,671
Contributions by participants	22,247	-	5,256	27,503
Benefits paid	(476,735)	(76,624)	(85,095)	(638,454)
Taxes, premiums & expenses paid	60,350	(4,346)	2,310	58,314
<b>Fair value of fund assets at end of the year</b>	<b>1,652,484</b>	<b>153,880</b>	<b>615,267</b>	<b>2,421,631</b>

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Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

- Reconciliation of the Defined Benefit Obligation

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	2,596,297	244,944	1,542,056	4,383,298
Current service cost	31,565	10,341	2,734	44,640
Interest cost	88,871	8,154	54,041	151,066
Contributions by participants	19,238	-	3,182	22,420
Actuarial (gains)/losses arising from changes in demographic assumptions	8,986	983	67	10,036
Actuarial (gains)/losses arising from changes in financial assumptions	128,599	8,615	118,244	255,458
Actuarial (gains)/losses arising from liability experience	(195)	(6,005)	(48,143)	(54,343)
Benefits paid	(275,568)	(40,259)	(104,927)	(420,754)
Taxes, premiums & expenses paid	66,487	491	5,978	72,954
Transfers in/out due to business combinations and disposals	(18,955)	(2,155)	-	(21,109)
<b>Present value of defined benefit obligations at end of the year</b>	<b>2,645,325</b>	<b>225,109</b>	<b>1,573,232</b>	<b>4,443,666</b>

Year ended 30 June 2014	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	2,661,511	275,683	1,557,929	4,495,123
Current service cost	33,757	11,090	3,764	48,611
Interest cost	90,841	9,272	58,136	158,249
Contributions by participants	22,247	-	5,256	27,503
Actuarial (gains)/losses arising from changes in financial assumptions	111,058	16,662	51,701	179,421
Actuarial (gains)/losses arising from liability experience	93,270	13,208	(51,946)	54,532
Benefits paid	(476,735)	(76,624)	(85,095)	(638,454)
Taxes, premiums & expenses paid	60,350	(4,346)	2,310	58,314
<b>Present value of defined benefit obligations at end of the year</b>	<b>2,596,299</b>	<b>244,945</b>	<b>1,542,055</b>	<b>4,383,299</b>

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Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

- Reconciliation of the effect of the Asset Ceiling

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Year ended 30 June 2014	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- Fair value of Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities.

**As such, the disclosures below relate to total assets of the Pooled Fund.**

Year ended 30 June 2015	Total \$'000	Quoted prices in active markets for identical assets \$'000	Significant observable inputs \$'000	Unobservable inputs \$'000
<b>Asset category</b>				
Short term securities	2,641,516	95,603	2,545,913	-
Australian fixed interest	2,656,598	958	2,638,759	16,881
International fixed interest	1,003,849	(110)	1,003,959	-
Australian equities	10,406,940	9,898,541	503,999	4,400
International equities	13,111,481	9,963,287	2,585,150	563,044
Property	3,452,609	948,421	718,406	1,785,782
Alternatives	7,170,187	622,102	3,020,225	3,527,860
<b>Total*</b>	<b>40,443,180</b>	<b>21,528,802</b>	<b>13,016,411</b>	<b>5,897,967</b>

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Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

- Fair value of Fund assets (cont'd)

Year ended 30 June 2014	Total \$'000	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
		\$'000	\$'000	\$'000
Short term securities	2,452,755	1,572,615	880,140	-
Australian fixed interest	2,365,014	10,928	2,354,086	-
International fixed interest	880,529	-	880,529	-
Australian equities	11,738,636	11,494,549	241,423	2,664
International equities	10,953,328	8,172,677	2,780,531	121
Property	3,272,986	894,113	692,296	1,686,577
Alternatives	6,329,410	565,401	4,897,152	866,857
<b>Total*</b>	<b>37,992,658</b>	<b>22,710,283</b>	<b>12,726,157</b>	<b>2,556,219</b>

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

	2015 %	2014 %
Australian equities	25.7	31.0
International/overseas equities	32.4	29.0
Australian fixed interest securities	6.6	6.0
International/overseas fixed interest securities	2.5	2.0
Property	8.6	9.0
Short term securities	6.5	6.0
Alternatives	17.7	17.0
	100	100

\*Additional to the assets disclosed above, at 30 June 2015 Pooled Fund has provisions for receivables/(payables) estimated to be around \$1.7 billion (2014:\$2.2 billion), giving an estimated assets totalling around \$42.2 billion (2014:\$40.2billion).

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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## 19. Employee benefits (cont'd)

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

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

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

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

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

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

The fair value of the Pooled Fund assets include as at 30 June 2015 of \$209.2 million (2014:\$173.9 million) in NSW government bonds.

- **Significant Actuarial Assumptions at the Reporting Date**

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Discount rate	3.03% pa	3.57% pa
Salary increase rate (excluding promotional increases)	2.50% 2015/2016 to 2018/2019; 3.50% 2019/2020; 3.00% pa 2021/2022 to 2024/2025; 3.50% pa thereafter	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter
Rate of CPI increase	2.50% 2015/2016; 2.75% 2016/2017 & 2017/2018; 2.50% pa thereafter	2.5% pa
Pensioner mortality	The pensioner mortality assumptions are as per the 2012 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	as per the 2012 Actuarial Investigation of the Pooled Fund

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# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

- **Sensitivity analysis**

The entity's total defined benefit obligation as at 30 June 2015 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 2015.

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

	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	3.03%	2.03%	4.03%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	4,443,666	4,989,317	3,997,948
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rate plus 0.5% pa	above rate plus 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	4,443,666	4,639,816	4,265,081
	<b>Base case</b>	<b>Scenario E +0.5% rate of CPI increase</b>	<b>Scenario F -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$)	4,443,666	4,503,734	4,386,361
	<b>Base case</b>	<b>Scenario G +5% pensioner mortality rates</b>	<b>Scenario H -5% pensioner mortality rates</b>
Defined benefit obligation (A\$)	4,443,666	4,409,972	4,479,392

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

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Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

- Sensitivity analysis (cont'd)**

The entity's total defined benefit obligation as at 30 June 2014 under several scenarios is presented below. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	4,383,298	4,911,374	3,951,688
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	4,383,298	4,562,996	4,219,678
	<b>Base case</b>	<b>Scenario E +0.5% rate of CPI increase</b>	<b>Scenario F -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5%	above rates less 0.5%
Salary inflation rate	as above	pa	pa
Defined benefit obligation (A\$)	4,383,298	4,451,935	4,317,935
	<b>Base case</b>	<b>Scenario G +5% pensioner mortality rates</b>	<b>Scenario H -5% pensioner mortality rates</b>
Defined benefit obligation (A\$)	4,383,298	4,354,642	4,413,626

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

- Asset-Liability matching strategies**

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

- Funding arrangements**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury. The next triennial review as at 30 June 2015, the report is expected to be released by the end of 2015.



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Notes to the financial statements  
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## 19. Employee benefits (cont'd)

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

- **Surplus/deficit**

The following is a summary of the 30 June financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits	1,816,920	165,129	807,991	2,790,041
Net market value of Fund assets	(1,684,563)	(148,345)	(586,240)	(2,419,148)
<b>Net (surplus)/deficit</b>	<b>132,357</b>	<b>16,784</b>	<b>221,751</b>	<b>370,893</b>

Year ended 30 June 2014	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits	1,891,989	186,371	840,543	2,918,903
Net market value of Fund assets	(1,652,484)	(153,881)	(615,268)	(2,421,633)
<b>Net (surplus)/deficit</b>	<b>239,505</b>	<b>32,490</b>	<b>225,275</b>	<b>497,270</b>

\*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

- **Contribution recommendations**

Year ended 30 June 2015	SASS % p.a.	SANCS % p.a.	SSS % p.a.
Different contributions are recommended for each entity under the reporting entity. The contributions rates were:			
RailCorp	-	-	-
NSW Trains	-	-	-
Sydney Trains	-	-	-
RMS employment group (Transport Services)	1.10	2.07	0.20
STA employment group (Transport Services)	2.20	2.50	1.60

Year ended 30 June 2014	SASS % p.a.	SANCS % p.a.	SSS % p.a.
Different contributions are recommended for each entity under the reporting entity. The contributions rates were:			
RailCorp	-	-	-
NSW Trains	-	-	-
Sydney Trains	-	-	-
RMS employment group	1.06	2.07	0.15
STA employment group	2.20	2.50	1.60

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Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

- Economic assumptions**

The economic assumptions adopted for the 30 June 2012 actuarial investigation of the Pooled Fund are:

<b>Weighted-average assumptions</b>	<b>2015</b>	<b>2014</b>
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
Expected salary increase rate (excluding promotional salary increases)	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5% pa

- Expected contributions\***

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	9,922	2,965	483	43,763

\* Total includes additional contributions of \$30.4m

<b>Year ended 30 June 2014</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	12,352	3,853	1,085	17,290

- Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation is 12.2 years.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 19. Employee benefits (cont'd)

- Profit and loss impact

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	31,565	10,341	2,734	44,640
Net interest	32,800	2,901	33,080	68,781
<b>Defined benefit cost</b>	<b>64,365</b>	<b>13,242</b>	<b>35,814</b>	<b>113,421</b>

Year ended 30 June 2014	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	33,757	11,090	3,764	48,611
Net interest	26,473	2,875	35,792	65,140
<b>Defined benefit cost</b>	<b>60,230</b>	<b>13,965</b>	<b>39,556</b>	<b>113,751</b>

- Other comprehensive income

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) losses on liabilities	137,390	3,594	70,168	211,151
Actual return on Fund assets less Interest income	(134,720)	(11,407)	(45,427)	(191,555)
Effects of transfers in/out due to business combinations and disposals	(13,730)	(1,930)	-	(15,658)
<b>Total remeasurement in Other Comprehensive Income</b>	<b>(11,060)</b>	<b>(9,743)</b>	<b>24,741</b>	<b>3,938</b>

Year ended 30 June 2014	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) losses on liabilities	204,328	29,869	(245)	233,952
Actual return on Fund assets less Interest income	(141,155)	(16,507)	(49,576)	(207,238)
<b>Total remeasurement in Other Comprehensive Income</b>	<b>63,173</b>	<b>13,362</b>	<b>(49,821)</b>	<b>26,714</b>

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

### 20. Other provisions

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current other provisions</b>				
Airport Line asset replacement	1,855	4,775	-	-
Ballast disposal	3,569	3,930	-	-
Land and buildings remediation	30,898	34,347	-	-
Lease make good costs	7,372	4,118	-	-
Legal and related claims	410	1,551	-	-
Public liability claims <sup>(1)</sup>	8,936	4,755	-	-
Land make good costs <sup>(1)</sup>	41,388	-	-	-
Other <sup>(1)</sup>	1,341	8,194	-	-
	<b>95,769</b>	<b>61,670</b>	-	-
<b>Non-current other provisions</b>				
Airport Line asset replacement	4,796	5,664	-	-
Ballast disposal	5,681	8,194	-	-
Land and buildings remediation	16,519	26,143	-	-
Lease make good costs	31,349	22,973	-	-
Public liability claims <sup>(1)</sup>	-	2,965	-	-
Other <sup>(1)</sup>	4,495	4,417	-	-
<b>Total non-current provisions</b>	<b>62,840</b>	<b>70,356</b>	-	-

(1) These provisions are amalgamated into other provisions in the movement note below.

## Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

### 20. Other provisions (cont'd)

#### Movement in other provisions

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

Consolidated	Airport Line asset replacement	Ballast disposal	Land and buildings remediation	Legal and related claims	Lease make good	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2015							
Carrying amount at the beginning of the financial year	10,439	12,124	60,490	1,551	27,091	20,331	132,026
Additional provision recognised	-	8,275	15,570	190	20,388	49,042	93,465
Amounts used	(3,506)	(5,857)	(13,861)	(227)	983	(9,957)	(32,425)
Unused amounts reversed	-	(5,570)	(15,976)	(1,104)	(6,408)	(3,067)	(32,125)
Unwinding / change in discount rate	(282)	278	1,194	-	(3,333)	(189)	(2,332)
Carrying amount at end of financial year	<b>6,651</b>	<b>9,250</b>	<b>47,417</b>	<b>410</b>	<b>38,721</b>	<b>56,160</b>	<b>158,609</b>

Interest expense of \$2.3 million (2014: \$5.4 million) is included in finance costs (note 2(f)) and comprises unwinding or a change in the discount rate on the above provisions.

#### Airport Line asset replacement

The provision of \$6.7 million (2014: \$10.4 million) recognises the reporting entity's contractual obligation to fund the replacement of major track and tunnel assets of the Airport Line by the line's maintenance contractor during the term of the contractor to 2030. Any unused balance of the provision remaining in 2030 will be shared equally with the maintenance contractor.

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

#### Ballast disposal

The provision of \$9.3 million (2014: \$12.1 million) recognises the legal obligation in relation to the disposal of non recyclable landfill and materials arising from ballast recycling operations.

The liability was assessed at 31 March 2015 by management after investigation of stockpiles at the Chullora site. The liability is inherently uncertain due to the quantum and timing of future disposals.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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## 20. Other provisions (cont'd)

### Land and buildings remediation

The provision of \$47.4 million (2014: \$60.5 million) comprises remediation of asbestos (\$17.1 million (2014: \$25.6million)) and contaminated land (\$30.4 million (2014: \$34.9 million)). In response to the identification of asbestos contamination in a railway station in March 2006, the reporting entity initiated during 2005-06 a program of hazardous materials surveys to identify the full extent of contamination and remedial action required in stations. During 2006-07 the program was extended to encompass other hazardous materials and operational buildings including signal boxes, depots and maintenance centres as well as rolling stock.

### Legal and related claims

This provision of \$0.4 million (2014: \$1.6 million) recognises claims against the reporting entity arising from prosecutions or fines in relation to legislative or contractual breaches or other matters. The liability at year end was assessed by management by reviewing individual claims. The liability is inherently uncertain due to disputes over the existence or quantum of individual claims.

### Lease make good

The lease made good provision of \$38.7 million (2014: \$27.1 million) recognises the reporting 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.

### Other provisions

Other provisions include the public liability provision of \$8.9 million (2014: \$7.7 million) which recognises the claims against the reporting entity arising from personal injuries or property damage occurring on its premises or involving its assets.

The liability at year end was assessed by management. The likely timing of settlement was assessed by reviewing individual claims. The liability is inherently uncertain due to disputes over the existence or quantum of individual claims.

Other provisions also include quarry restoration, marine damage claims, marine hull damage, land make good and other minor provisions. The liabilities at year end were assessed by management and are inherently uncertain due to disputes over the existence or quantum of individual claims or due to the time likely to elapse before restoration is required.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 21. Other liabilities

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current other liabilities</b>				
Liability to Consolidated Fund (note 3(a) and (b))	-	5,155	-	-
Statutory creditors	6,451	13,194	-	-
Sydney Harbour Tunnel tax liabilities	2,055	2,009	-	-
Holding accounts <sup>1</sup>	175,909	110,569	-	-
Lease incentive	1,228	1,477	-	-
Deferred revenue - private sector provided infrastructure reimbursement	19,030	12,065	-	-
Income received in advance	70,516	71,959	-	-
Liability for former employee's leave entitlements	5,007	6,666	-	-
	<b>280,196</b>	<b>223,094</b>	-	-

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

<b>Non-current other liabilities</b>				
Sydney Harbour Tunnel tax liabilities	21,694	22,402	-	-
Deferred revenue - private sector provided infrastructure reimbursement <sup>2</sup>	569,109	257,757	-	-
Unearned rent on M5 motorway	5,363	5,778	-	-
Income received in advance	33,399	38,378	-	-
Lease incentives	41	539	-	-
Epping Chatswood Rail Line Improvement liability	18,941	-	-	-
Contributions from Council for light rail	19,600	-	-	-
Other	45	45	-	-
	<b>668,192</b>	<b>324,899</b>	-	-

<sup>2</sup> The increase in deferred revenue relates to new deferred lease revenue recognised for concession fees receivable for the Westlink M7 Motorway and the Lane Cove Tunnel, as a result of the Northconnex project.

## 22. Financial liabilities at fair value

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Current financial liabilities at fair value</b>				
Derivative financial instruments	6,173	3,895	-	-
	<b>6,173</b>	<b>3,895</b>	-	-
<b>Non-current financial liabilities at fair value</b>				
Derivative financial instruments	1,107	108	-	-
	<b>1,107</b>	<b>108</b>	-	-

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 23. Commitments for expenditure

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>(a) Capital Commitments</b>				
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:				
Not later than one year	1,985,571	1,536,998	-	-
Later than one year and not later than five years	2,459,394	1,826,333	-	-
Later than five years	387,517	484,520	-	-
<b>Total (including GST)</b>	<b>4,832,482</b>	<b>3,847,851</b>	<b>-</b>	<b>-</b>
<b>(b) Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	177,636	150,080	-	-
Later than one year and not later than five years	328,716	260,669	-	-
Later than five years	33,506	47,955	-	-
<b>Total (including GST)</b>	<b>539,858</b>	<b>458,704</b>	<b>-</b>	<b>-</b>
<b>(c) Finance lease commitments</b>				
Minimum lease payment commitments in relation to finance leases payable as follows:				
Not later than one year	314,724	321,596	-	-
Later than one year and not later than five years	1,330,388	1,357,180	-	-
Later than five years	5,602,281	5,882,606	-	-
Minimum lease payments	<b>7,247,393</b>	<b>7,561,382</b>	<b>-</b>	<b>-</b>
Less: future finance charges	4,242,706	4,466,712	-	-
Present value of minimum lease payments	<b>3,004,687</b>	<b>3,094,670</b>	<b>-</b>	<b>-</b>
The present value of finance lease commitments is as follows:				
Not later than one year	95,885	204,000	-	-
Later than one year and not later than five years	426,525	978,868	-	-
Later than five years	2,482,277	1,911,802	-	-
	<b>3,004,687</b>	<b>3,094,670</b>	<b>-</b>	<b>-</b>
Classified as:				
Current borrowings (note 18)	95,885	204,000	-	-
Non current borrowings (note 18)	2,908,802	2,890,670	-	-
	<b>3,004,687</b>	<b>3,094,670</b>	<b>-</b>	<b>-</b>
<b>(d) Other public and private partnerships contract commitments</b>				
Not later than one year	117,477	189,399	-	-
Later than one year and not later than five years	355,984	280,258	-	-
Later than five years	2,701,852	2,800,642	-	-
<b>Total (including GST)</b>	<b>3,175,313</b>	<b>3,270,299</b>	<b>-</b>	<b>-</b>

Input tax on all commitments estimated at \$777.1 million (2014: \$688.8 million) (parent entity: nil (2014: nil)) will be recouped from the Australian Taxation Office.



## 24. Contingent assets and contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 (2014: nil). The reporting entity had contingent liabilities and contingent assets at 30 June 2015 in respect of:

### (i) Public Private Partnership arrangements

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

Roads and Maritime Services has certain obligations under contracts with private sector parties with the performance of these obligations guaranteed by the NSW Government. The current guarantees outstanding are for the Sydney Harbour Tunnel, the M2 Motorway, the Eastern Distributor, the Cross City Tunnel, the Western Sydney Orbital and the Lane Cove Tunnel. There is no reason to believe that these guarantees are ever to be exercised.

### (ii) Litigation

Roads and Maritime Services has a number of contractual disputes with an estimated total contingent liability of \$26.6 million (2014: \$1.8 million). Compulsory property acquisition matters under litigation have an estimated contingent liability of \$53.5 million (2014: \$104.4 million).

Transport for NSW also has a number of contractual and compulsory property acquisition disputes with an estimated contingent liability of \$20.8 million (2014: 11.0 million).

### (iii) Letter of Comfort

TfNSW provided a letter of comfort to Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability during 2015-16 financial year. TfNSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to Government.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 25. Budget Review of the parent entity and Transport for NSW

The budget review relates to the Department of Transport, Transport for NSW and The Transport Service as the financial performance of these entities is aggregated for Treasury reporting purposes, including for the State Budget and is in line with the requirements of a Treasury exemption regarding the disclosure of budget information (see note 1(e)).

The budget amounts for the statement of comprehensive income, statement of financial position and statement of cash flows included in this note are drawn from the original budget financial statements presented to Parliament in respect of the reporting period.

### Department of Transport, Transport for NSW and Transport Service of New South Wales Combined statement of comprehensive income for the year ended 30 June 2015

	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>Expenses excluding losses</b>			
Operating expenses			
Employee related expenses	1,756,802	1,466,296	992,952
Other operating expenses	344,443	412,447	324,293
Maintenance	92,034	-	124,859
Depreciation and amortisation	192,629	219,879	169,455
Grants and subsidies	9,026,135	10,765,630	8,751,558
Finance costs	84,306	88,630	82,839
Other expenses	1,307,070	18,876	1,311,525
<b>Total expenses excluding losses</b>	<b>12,803,419</b>	<b>12,971,758</b>	<b>11,757,481</b>
<b>Revenue</b>			
Recurrent appropriation	8,592,327	8,908,368	7,971,109
Capital appropriation	2,572,766	2,658,393	2,261,580
Sale of goods and services	1,605,276	1,286,208	956,742
Investment revenue	18,590	11,389	21,111
Retained taxes, fees and fines	2,222	2,307	2,182
Grants and contributions	506,525	370,051	864,817
Acceptance by the Crown Entity of employee benefits and other liabilities	37,429	29,235	33,470
Other revenue	-	-	2,849
<b>Total revenue</b>	<b>13,335,135</b>	<b>13,265,951</b>	<b>12,113,860</b>
<b>Gain / (loss) on disposal</b>	<b>(1,763)</b>	<b>13,960</b>	<b>-</b>
<b>Other gains / (losses)</b>	<b>(59,128)</b>	<b>-</b>	<b>(706)</b>
<b>Net result</b>	<b>470,825</b>	<b>308,153</b>	<b>355,673</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 25. Budget Review of the parent entity and Transport for NSW (cont'd)

### Department of Transport, Transport for NSW and Transport Service of New South Wales Combined statement of financial position as at 30 June 2015

	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	706,090	459,114	820,507
Receivables	592,705	582,253	1,966,392
Inventories	1,185	-	1,304
Financial assets at fair value	63	-	119
Non-current assets held for sale	16,093	-	17,193
<b>Total current assets</b>	<b>1,316,136</b>	<b>1,041,367</b>	<b>2,805,515</b>
<b>Non-current assets</b>			
Receivables	1,411,088	1,055,272	-
Financial assets at fair value	12	-	36
Other financial assets	552	1,169	733
Property, plant and equipment	4,244,004	4,233,303	3,860,489
Intangible assets	720,169	674,780	422,938
Other assets	119	-	-
<b>Total non-current assets</b>	<b>6,375,944</b>	<b>5,964,524</b>	<b>4,284,196</b>
<b>Total Assets</b>	<b>7,692,080</b>	<b>7,005,891</b>	<b>7,089,711</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	712,184	638,079	946,563
Borrowings	146,593	177,620	185,892
Employee benefits	419,738	379,092	397,544
Other provisions	71	-	714
Other liabilities	141,554	-	36,536
Financial liabilities at fair value	2,607	-	2,831
<b>Total current liabilities</b>	<b>1,422,747</b>	<b>1,194,791</b>	<b>1,570,080</b>
<b>Non-current liabilities</b>			
Borrowings	1,302,832	1,536,433	1,273,538
Employee benefits	1,411,087	-	1,366,484
Other provisions	9,687	1,054,100	5,233
Other liabilities	38,586	45	45
Financial liabilities at fair value	74	-	55
<b>Total non-current liabilities</b>	<b>2,762,266</b>	<b>2,590,578</b>	<b>2,645,355</b>
<b>Total Liabilities</b>	<b>4,185,013</b>	<b>3,785,369</b>	<b>4,215,435</b>
<b>Net assets</b>	<b>3,507,067</b>	<b>3,220,522</b>	<b>2,874,276</b>
<b>EQUITY</b>			
Reserves	-	142,950	-
Accumulated funds	3,507,067	3,077,572	2,874,276
<b>Total equity</b>	<b>3,507,067</b>	<b>3,220,522</b>	<b>2,874,276</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 25. Budget Review of the parent entity and Transport for NSW (cont'd)

### Department of Transport, Transport for NSW and Transport Service of New South Wales Combined statement of cash flows for the year ended 30 June 2015

	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>Cash flow from operating activities</b>			
<b>Payments</b>			
Employee related	(1,687,365)	(1,447,521)	(808,853)
Grants and subsidies	(7,126,811)	(8,613,524)	(6,890,161)
Finance costs	(84,306)	(88,630)	(82,839)
Other	(2,893,178)	(519,816)	(1,973,370)
<b>Total payments</b>	<b>(11,791,660)</b>	<b>(10,669,491)</b>	<b>(9,755,223)</b>
<b>Receipts</b>			
Recurrent appropriation	8,592,327	8,908,368	7,971,109
Capital appropriation (excluding equity appropriations)	2,572,766	2,658,393	2,266,735
Cash transferred to the consolidated Fund	(5,155)	-	-
Sale of goods and services including GST refunds	2,043,713	1,296,667	1,437,324
Grants and contributions	525,831	370,051	868,512
Retained taxes, fees and fines	2,222	-	2,182
Interest received	19,967	11,389	17,613
Other	750,494	95,540	-
<b>Total receipts</b>	<b>14,502,165</b>	<b>13,340,408</b>	<b>12,563,475</b>
<b>Net cash inflows from operating activities</b>	<b>2,710,505</b>	<b>2,670,917</b>	<b>2,808,252</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	1,104	-	-
Purchases of property, plant and equipment and intangible assets	(2,917,122)	(2,627,140)	(2,413,050)
Proceeds from sale of investments	-	37,725	-
Other	45	(240,404)	20
<b>Net cash outflows from investing activities</b>	<b>(2,915,973)</b>	<b>(2,829,819)</b>	<b>(2,413,030)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and advances	91,050	188,243	69,698
Repayment of borrowings and advances	-	(74,215)	-
<b>Net cash inflows from financing activities</b>	<b>91,050</b>	<b>114,028</b>	<b>69,698</b>
<b>Net (decrease)/increase in cash</b>	<b>(114,418)</b>	<b>(44,874)</b>	<b>464,920</b>
Opening cash and cash equivalents	820,508	503,988	354,852
Cash and cash equivalents transferred in as result of administrative restructure	-	-	736
<b>Closing cash balance</b>	<b>706,090</b>	<b>459,114</b>	<b>820,508</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 25. Budget Review of the parent entity and Transport for NSW (cont'd)

An explanation of significant variations between the actual and budget in the reporting period is provided below.

### Net result

2015 \$m			Explanation
Actual	Budget	Variance	
Summary			
470.8	308.2	162.6	Improvement on the Budget due to lower than Budget expenditure together with higher than Budget revenue.
Significant variances by line item			
Employee related expenses			
1,756.8	1,466.3	(290.5)	Higher than Budget due to delay in transfer of RMS award staff to Service NSW and net present value adjustments to the long service leave provisions relating to the RMS and STA award staff.
Grants and subsidies			
9,026.4	10,765.6	(1,739.2)	Lower than Budget, but offset by an increase in 'other expenses' of \$1,288.2 million and a decrease in the 'recurrent appropriation' revenue of \$316.0 million. The variations in 'grants and subsidies' and 'other expenses' are mainly due to the Budget for bus and ferry contract payments being included in 'grants and subsidies', while the actual expenditure is included in 'other expenses'.

### Assets and liabilities

2015 \$m			Explanation
Actual	Budget	Variance	
Summary			
3,507.1	3,220.5	286.6	This is primarily due to cash balances being \$247.0 million higher than Budget and a reduction in borrowings compared to Budget, with the Crown Entity assuming responsibility for \$116.3 million of TfNSW debt during 2014-15. Increased intangibles of \$45.4 million and higher payables of \$74.0 million as compared to Budget are also impacting the net asset position.
Significant variances by line item			
Employee benefits			
1,830.8	379.1	(1,451.7)	The non-current employment liabilities have been included in the Budget for 'other provisions' and not 'employee benefits'.
Other provisions			
9.7	1,054.1	1,044.4	As above.

### Cash flows

2015 \$m			Explanation
Actual	Budget	Variance	
Summary			
706.1	459.1	247.0	The additional cash compared to the Budget mainly reflects an increase in the opening cash balance as compared to Budget, with the actual cash balance as at 1 July 2014 being \$316.5 million higher than the Budget estimate.  In 'cash flows from operating activities', bus and ferry contract actual payments are disclosed separately, as compared to the Budget where those amounts are included in 'grants and subsidies' payments.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

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

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Net cash inflows from operating activities</b>	6,596,841	6,237,667	(16,157)	5,046
Acceptance by the Crown Entity of employee benefits and other liabilities	37,532	33,470	(102)	(48)
Depreciation and amortisation	(2,839,267)	(2,598,498)	-	-
Non-cash revenue and expenses	312,234	126,642	102	48
Derecognition, impairment and write off assets	(184,370)	(766,899)	-	-
Roads and bridges transferred from / (to) councils	(1,747)	(16,547)	-	-
Revaluation decrement of assets	-	(1,484)	-	-
Net gain / (loss) on sale of assets held for sale	(30,300)	(40,294)	-	-
Impairment of receivables / written off	(760)	(2,079)	-	-
(Decrease) / increase in receivables, inventories and other assets	231,386	141,872	(790)	(253)
(Increase) / decrease in payables and provisions	(293,234)	(638,735)	16,947	(4,793)
Net gain / (loss) on sale of property, plant and equipment	(207,591)	105,481	-	-
<b>Net result</b>	<b>3,620,724</b>	<b>2,580,596</b>	<b>-</b>	<b>-</b>

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Notes to the financial statements  
for the year ended 30 June 2015

## 27. Non-cash financing and investing activities

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Non-cash investing activities</b>				
Assets free of charge	8,523	-	-	-
Assets recognised for the first time (note 3(e))	198,452	22,396	-	-
Acquisition of assets free of charge (transactions with owners as owners) (note 30)	47,600	-	-	-
Land and buildings transferred to other NSW government agencies	(81,785)	-	-	-
Plant and equipment acquired by finance lease (note 13)	85,149	862,681	-	-
Recognition of Epping Chatswood Rail Link improvement liabilities	18,941	-	-	-
Roads transferred from councils (note 3(g))	110	69,050	-	-
Roads transferred to councils (note 2(e))	(1,857)	(85,584)	-	-
Value of emerging interests in Private Sector Provided Infrastructure (note 3(e))	205,927	204,211	-	-
Assets written off (note 5)	(173,886)	(521,906)	-	-
Assets written down	(53,246)	(117,616)	-	-
Writeback of debt forgiven	5,552	36,449	-	-
Transfer from administrative restructure - others	78	-	-	-
<b>Non-cash financing activities</b>				
Financial lease liabilities in respect of the acquisition of property, plant and equipment	(85,149)	(862,681)	-	-
M2 and Eastern Distributor promissory notes	(5,986)	-	-	-
NSW Treasury Corporation borrowings transferred to the Crown	622,665	-	-	-
	<b>791,088</b>	<b>(393,000)</b>	-	-

## 28. Administered assets and liabilities

	Consolidated 2015 \$'000	Consolidated 2014 \$'000	Parent 2015 \$'000	Parent 2014 \$'000
<b>Administered assets</b>				
Cash	33,310	38,558	-	-
<b>Total administered assets</b>	<b>33,310</b>	<b>38,558</b>	-	-
<b>Administered liabilities</b>				
Payables	353,466	299,649	-	-
<b>Total administered liabilities</b>	<b>353,466</b>	<b>299,649</b>	-	-

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Notes to the financial statements  
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## 29. Financial Instruments

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

The reporting 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 reporting 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 reporting 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 reporting entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the Audit and Risk Committee and internal audit on a regular basis.

### (a) Financial instrument categories

<b>Financial assets</b>			<b>Carrying amount</b>	<b>Carrying amount</b>
			<b>2015</b>	<b>2014</b>
<b>Consolidated</b>	<b>Note</b>	<b>Category</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Class:</b>				
Cash and cash equivalents	7	N/A	1,814,689	1,447,794
Receivables <sup>1</sup>	8	Loans and receivables (at amortised cost) At fair value through profit or loss designated upon initial recognition	274,805	202,157
Financial assets at fair value	10		63,597	58,710
Other financial assets	12	Loans and receivables (at amortised cost)	521,387	178,278
Financial assets at fair value	10	Fair value through profit or loss	2,382	781
			<b>2,676,860</b>	<b>1,887,720</b>

<b>Financial liabilities</b>			<b>Carrying amount</b>	<b>Carrying amount</b>
			<b>2015</b>	<b>2014</b>
<b>Consolidated</b>	<b>Note</b>	<b>Category</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Class:</b>				
Payables <sup>2</sup>	17, 21	Financial liabilities measured at amortised cost	2,338,153	2,222,970
Borrowings	18	Financial liabilities measured at amortised cost	5,099,190	5,203,321
Financial liabilities at fair value	22	Fair value through profit or loss	7,280	4,003
			<b>7,444,623</b>	<b>7,430,294</b>

1. Excludes statutory receivables and prepayments (ie not within scope of AASB 7).

2. Excludes statutory payables and unearned revenue (ie not within scope of AASB 7).



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Notes to the financial statements  
for the year ended 30 June 2015

## 29. Financial instruments (cont'd)

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

<b>Financial assets</b>			<b>Carrying amount</b>	<b>Carrying amount</b>
<b>Parent</b>	<b>Note</b>	<b>Category</b>	<b>2015</b>	<b>2014</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Class:</b>				
Cash and cash equivalents	7	N/A	930	17,087
Receivables <sup>1</sup>	8	Loans and receivables (at amortised cost)	-	790
			<b>930</b>	<b>17,877</b>
<b>Financial liabilities</b>			<b>Carrying amount</b>	<b>Carrying amount</b>
<b>Parent</b>	<b>Note</b>	<b>Category</b>	<b>2015</b>	<b>2014</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Class:</b>				
Payables <sup>2</sup>	17	Financial liabilities measured at amortised cost	725	16,988
			<b>725</b>	<b>16,988</b>

1. Excludes statutory receivables and prepayments (ie not within scope of AASB 7).

2. Excludes statutory payables and unearned revenue (ie not within scope of AASB 7).

### (b) Derivatives

The reporting 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 purchase of distillate.

All forward foreign exchange and commodity swap contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 139 Financial Instruments. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

The reporting entity held \$2.4 million (2014: \$0.8 million) in derivative financial assets and \$7.3 million (2014: \$4.1 million) in derivative financial liabilities.

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

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Notes to the financial statements  
for the year ended 30 June 2015

## 29. Financial instruments (cont'd)

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

Consolidated	Expected cash flow					
	Weighted average exchange rate	Contract Value \$'000	No Later than 3 months \$'000	Later than 3 months and no later than 12 months \$'000	Later than 12 months \$'000	Total \$'000
<b>2015</b>						
<b>Foreign exchange contracts</b>						
Denominated in US Dollars	0.9008	4,585	4,585	-	-	4,585
	0.8004	11,198	-	11,198	-	11,198
	0.8054	8,014	-	-	8,014	8,014
Denominated in Euros	0.6868	33,778	31,235	618	1,925	33,778
	0.6772	866	-	866	-	866
	0.6686	-	-	-	-	-
Denominated in Pounds Sterling	0.5309	2,329	2,329	-	-	2,329
		<b>60,770</b>	<b>38,149</b>	<b>12,682</b>	<b>9,939</b>	<b>60,770</b>
<b>Commodity hedge contracts</b>						
Favourable		4,743	-	1,543	3,200	4,743
Non-favourable		20,985	5,341	10,239	5,405	20,985
		<b>25,728</b>	<b>5,341</b>	<b>11,782</b>	<b>8,605</b>	<b>25,728</b>
<b>2014</b>						
<b>Foreign exchange contracts</b>						
Denominated in US Dollars	0.8109	2,979	2,979	-	-	2,979
	0.9151	7,667	7,667	-	-	7,667
	0.8981	14,456	-	14,456	-	14,456
	0.9157	2,643	-	-	2,643	2,643
Denominated in Euros	0.6370	30,491	30,491	-	-	30,491
	0.6493	2,474	-	2,474	-	2,474
	0.6555	1,547	-	-	1,547	1,547
	0.6726	5,863	5,863	-	-	5,863
	0.6663	7,029	-	7,029	-	7,029
	0.6708	76	-	-	76	76
	0.6599	414	-	414	-	414
Denominated in Pounds Sterling	0.5487	1,833	1,833	-	-	1,833
	0.5433	1,271	-	1,271	-	1,271
		<b>78,743</b>	<b>48,833</b>	<b>25,644</b>	<b>4,266</b>	<b>78,743</b>
<b>Commodity hedge contracts</b>						
Favourable		15,381	-	12,727	2,654	15,381
Non-favourable		5,638	-	5,638	-	5,638
		<b>21,019</b>	<b>-</b>	<b>18,365</b>	<b>2,654</b>	<b>21,019</b>

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Notes to the financial statements  
for the year ended 30 June 2015

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## 29. Financial instruments (cont'd)

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

All derivatives are measured at fair value. Information about the exposure to credit risk, foreign exchange risk, commodity risk the methods and assumptions used in determining fair values of derivatives is provided in note 29(f). Further details on derivatives are provided in notes 10 and 22.

### (c) Credit risk

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

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, derivative financial instruments, deposits with banks and NSW TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions. The reporting entity holds bank guarantees for significant customers as well as property bonds for some leased premises. The reporting 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 reporting entity's financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. All debt management and investment activities are undertaken with NSW TCorp, which is guaranteed by the NSW Government.

Credit risk impacts on the following financial instruments which are discussed below:

#### **Cash**

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

#### **Receivables – trade debtors**

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

The reporting entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due \$48.6 million (2014: \$17.5 million); parent entity nil (2014: nil) and not more than 3 months overdue \$50.6 million (2014: \$21.6 million); parent entity nil (2014: nil) are not considered impaired. These debtors represent 85.2% (2014: 69.7%) of the total trade debtors.

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Notes to the financial statements  
for the year ended 30 June 2015

## 29. Financial instruments (cont'd)

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

The only financial assets that are past due or impaired are "sales of goods and services" in the "receivables" category of the statement of financial position.

<b>Consolidated</b>	<b>Total \$'000</b>	<b>Past due but not impaired \$'000</b>	<b>Considered impaired \$'000</b>
<b>2015</b>			
< 3 months overdue	51,937	50,560	1,377
3 months - 6 months overdue	2,183	1,607	576
> 6 months overdue	13,817	5,893	7,924
	<b>67,937</b>	<b>58,060</b>	<b>9,877</b>
<b>2014</b>			
< 3 months overdue	22,814	21,636	1,178
3 months - 6 months overdue	2,623	1,744	879
> 6 months overdue	13,190	4,271	8,919
	<b>38,627</b>	<b>27,651</b>	<b>10,976</b>

#### Notes

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

<sup>2</sup> The aging analysis excludes receivables that are not past due and not impaired. Therefore the total will not reconcile to the receivables total recognised in the Statement of Financial Position.

<sup>3</sup> There is no credit risk in parent entity.

#### Derivatives

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

#### Other financial assets

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

### (d) Liquidity risk

Liquidity Risk is the risk that the reporting entity will be unable to meet its payment obligations when they fall due. The reporting 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.

The reporting entity has access to credit facilities with NSW TCorp of \$2,569.0 million (2014: \$2,642.0 million) of which \$2,092.4million (2014: \$2,104.2 million) had been used at reporting date.

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Notes to the financial statements  
for the year ended 30 June 2015

## 29. Financial instruments (cont'd)

### (d) Liquidity risk (cont'd)

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

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

Consolidated	Weighted average effective interest Rate	Nominal amount <sup>(1)</sup> \$'000	Interest rate exposure			Maturity dates		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- interest bearing \$'000	< 1 yr \$'000	1-5 yrs \$'000	> 5 yrs \$'000
<b>2015</b>								
<b>Payables:</b>								
Trade creditors and accruals		2,338,153	-	-	2,338,153	2,312,148	13,361	12,644
<b>Borrowings:</b>								
NSW TCorp borrowings and finance leases	3.25	5,099,191	2,170,180	2,929,011	-	674,611	1,262,100	3,162,479
		<b>7,437,344</b>	<b>2,170,180</b>	<b>2,929,011</b>	<b>2,338,153</b>	<b>2,986,759</b>	<b>1,275,461</b>	<b>3,175,123</b>
<b>2014</b>								
<b>Payables:</b>								
Trade creditors and accruals		2,222,970	-	-	2,222,970	2,198,513	12,479	11,977
<b>Borrowings:</b>								
NSW TCorp borrowings and finance leases	4.15	5,488,227	2,654,649	2,833,578	-	1,377,183	1,681,011	2,430,033
		<b>7,711,197</b>	<b>2,654,649</b>	<b>2,833,578</b>	<b>2,222,970</b>	<b>3,575,696</b>	<b>1,693,490</b>	<b>2,442,010</b>

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Notes to the financial statements  
for the year ended 30 June 2015

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

#### (d) Liquidity risk (cont'd)

Parent	Weighted average effective interest Rate	Nominal amount (1) \$'000	Interest rate exposure			Maturity dates		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- interest bearing \$'000	< 1 yr \$'000	1-5 yrs \$'000	> 5 yrs \$'000
<b>2015</b>								
<b>Payables:</b>								
Trade creditors and accruals	-	725	-	-	725	725	-	-
		<b>725</b>	<b>-</b>	<b>-</b>	<b>725</b>	<b>725</b>	<b>-</b>	<b>-</b>
<b>2014</b>								
<b>Payables:</b>								
Trade creditors and accruals	-	16,998	-	-	16,998	16,998	-	-
		<b>16,998</b>	<b>-</b>	<b>-</b>	<b>16,998</b>	<b>16,998</b>	<b>-</b>	<b>-</b>

(1) 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.

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Notes to the financial statements  
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## 29. Financial instruments (cont'd)

### (e) Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. This applies to the reporting 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 reporting entity's operates and the time frame for assessment, that is, until the end of the next reporting period. The sensitivity analysis is based on financial instruments held at the balance date. The analysis assumes that all other variables remain constant.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information provided below, for interest rate risk and other price risk including currency movements. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the reporting 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 2014 and assumes that all other variables remain constant.

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

### (i) Interest rate risk

Exposure to interest rate risk arises primarily through the reporting entity's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW Treasury Corporation (NSW TCorp).

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

	Carrying amount \$'000	Impact of 1% decrease Net result \$'000	Equity \$'000	Impact of 1% increase Net result \$'000	Equity \$'000
<b>Consolidated</b>					
<b>2015</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	1,814,689	(17,699)	(17,699)	17,699	17,699
Receivables	274,805	-	-	-	-
Financial assets at fair value	65,979	(636)	(636)	636	636
Other financial assets	521,387	-	-	-	-
<i>Financial Liabilities</i>					
Payables	(2,338,153)	-	-	-	-
Borrowings	(5,099,190)	24,060	24,060	(24,060)	(24,060)
Financial liabilities at fair value	(7,280)	-	-	-	-
<b>Net financial liabilities</b>	<b>(4,767,763)</b>	<b>5,725</b>	<b>5,725</b>	<b>(5,725)</b>	<b>(5,725)</b>
<b>2014</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	1,447,794	(13,833)	(13,833)	13,833	13,833
Receivables	202,157	-	-	-	-
Financial assets at fair value	59,491	(587)	(587)	587	587
Other financial assets	178,278	-	-	-	-
<i>Financial Liabilities</i>					
Payables	(2,222,970)	-	-	-	-
Borrowings	(5,203,321)	12,892	12,892	(12,892)	(12,892)
Financial liabilities at fair value	(4,003)	-	-	-	-
<b>Net financial liabilities</b>	<b>(5,542,574)</b>	<b>(1,528)</b>	<b>(1,528)</b>	<b>1,528</b>	<b>1,528</b>

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Notes to the financial statements  
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## 29. Financial instruments (cont'd)

### (e) Market risk (cont'd)

#### (i) Interest rate risk (cont'd)

Parent	Carrying amount \$'000	Impact of 1% decrease		Impact of 1% increase	
		Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>2015</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	930	(9)	(9)	9	9
<i>Financial Liabilities</i>					
Payables	(725)	-	-	-	-
<b>Net financial assets</b>	<b>205</b>	<b>(9)</b>	<b>(9)</b>	<b>9</b>	<b>9</b>
<b>2014</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	17,087	(171)	(171)	171	171
Receivables	790	-	-	-	-
<i>Financial Liabilities</i>					
Payables	(16,998)	-	-	-	-
<b>Net financial assets</b>	<b>879</b>	<b>(171)</b>	<b>(171)</b>	<b>171</b>	<b>171</b>

#### (ii) Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The reporting entity manages its foreign exchange risk by entering into forward exchange contracts in accordance with each controlled entities' risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily dominated in Euros, US dollars and Pound Sterling, have been fully hedged using forward contracts that mature on the same dates as the forecast purchase are due for payment. These contracts are designated as cash flow hedges.

The reporting entity's exposure to foreign exchange risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedge.

A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against other currencies. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.



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Notes to the financial statements  
for the year ended 30 June 2015

## 29. Financial instruments (cont'd)

### (e) Market risk (cont'd)

#### (ii) Foreign rate risk (cont'd)

Consolidated	10%		-10%		
	Contract value \$'000	Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>2015</b>					
US Dollars	23,797	-	2,380	-	(2,380)
Euros	34,644	-	3,465	-	(3,465)
Pound Sterling	2,329	-	233	-	(233)
	<b>60,770</b>	<b>-</b>	<b>6,078</b>	<b>-</b>	<b>(6,078)</b>
<b>2014</b>					
US Dollars	27,745	-	2,775	-	(2,775)
Euros	47,480	-	4,748	-	(4,748)
Pound Sterling	3,518	-	352	-	(352)
	<b>78,743</b>	<b>-</b>	<b>7,875</b>	<b>-</b>	<b>(7,875)</b>

There is no foreign rate risk in parent entity.

#### (iii) Commodity price risk

The reporting 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 reporting entity hedges its distillate exposure by entering into Singapore Gas Oil swap and US Dollar forward contracts.

These commodity swap contracts are designated as cash flow hedges. The reporting entity's exposure to commodity price risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of commodity swap contracts designated as cash flow hedge.

A sensitivity of 10% movement in the Singapore Gas Oil spot price has been selected for use in the sensitivity analysis at the reporting date.

Consolidated	10%		-10%		
	Contract value \$'000	Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>2015</b>					
Distillate	25,728	-	2,573	-	(2,573)
	<b>25,728</b>	<b>-</b>	<b>2,573</b>	<b>-</b>	<b>(2,573)</b>
<b>2014</b>					
Distillate	21,019	-	2,102	-	(2,102)
	<b>21,019</b>	<b>-</b>	<b>2,102</b>	<b>-</b>	<b>(2,102)</b>

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 29. Financial instruments (cont'd)

### (e) Market risk (cont'd)

#### (iv) Other price risk – TCorp Hour-Glass facilities

Exposure to other price risk primarily arises through the investment in the NSW TCorp Hour-Glass Investment facilities which are held for strategic rather than trading purposes. The reporting entity has no direct equity investments and holds units in the following Hour-Glass Investment Trusts:

Facility	Investment sectors	Investment horizon	2015 \$'000	2014 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	228,699	246,657
Strategic Cash facility	Cash, money market and other interest rates instruments	1.5 years to 3 years	5,452	5,300
Medium term growth facility	Cash, money market instruments, Australian bonds, listed property, and Australian and International shares	3 years to 7 years	41,174	38,349
Long term growth facility	Cash, money market instruments, Australian bonds, listed property, and Australian and International shares	7 years and over	16,971	15,061

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

NSW TCorp is the trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, NSW TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, NSW TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information. The NSW TCorp Hour-Glass Investment facilities are designated at fair value through profit and loss and, therefore, any change in unit price impacts directly on net result (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by NSW TCorp) multiplied by the redemption value as at 30 June each year.

The impact on the net result as a result of changes in the unit prices of the investments is not considered to be material.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 29. Financial instruments (cont'd)

### (f) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities and derivatives, which are measured at fair value.

The amortised cost of all other financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments, with the exception of TCorp borrowings.

The following table details the financial instruments where the fair value differs from the carrying amount:

<b>Consolidated</b>	<b>2015 Carrying amount \$'000</b>	<b>2015 Fair value \$'000</b>	<b>Fair value level</b>
<b>Financial liabilities</b>			
Borrowings	2,092,372	2,154,937	2
	<b>2,092,372</b>	<b>2,154,937</b>	

<b>Consolidated</b>	<b>2014 Carrying amount \$'000</b>	<b>2014 Fair value \$'000</b>	<b>Fair value level \$'000</b>
<b>Financial liabilities</b>			
Borrowings	2,104,203	2,153,977	2
	<b>2,104,203</b>	<b>2,153,977</b>	

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 29. Financial instruments (cont'd)

### (g) Fair value hierarchy

Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2015</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	2,382	-	2,382
NSW TCorp Hour-Glass Facility	-	292,296	-	292,296
	-	<b>294,678</b>	-	<b>294,678</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	7,280	-	7,280
Borrowing	-	2,154,937	-	2,154,937
	-	<b>2,162,217</b>	-	<b>2,162,217</b>
<b>30 June 2014</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	781	-	781
NSW TCorp Hour-Glass Facility	-	305,367	-	305,367
	-	<b>306,148</b>	-	<b>306,148</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	4,003	-	4,003
Borrowing	-	2,153,977	-	2,153,977
	-	<b>2,157,980</b>	-	<b>2,157,980</b>

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

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

The reporting entity has assessed the fair value of its financial instruments on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

The fair value of the TCorp Hour-Glass Investments is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using redemption pricing.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

The fair value of commodity swap contracts is determined using market prices at the reporting date.

There were no transfers between Level 1, 2 or 3 during the year.

There were no changes in the valuation techniques during the year.

# Department of Transport

Notes to the financial statements  
for the year ended 30 June 2015

## 30. Equity transfers

	<b>Consolidated 2015 \$'000</b>	<b>Consolidated 2014 \$'000</b>	<b>Parent 2015 \$'000</b>	<b>Parent 2014 \$'000</b>
Borrowings transferred to the Crown Entity (a)	622,665	-	-	-
Net equity transfer for property, plant and equipment (note 13) (b)	(33,719)	-	-	-
Long service leave assumed by the Crown (c)	-	36,451	-	-
Other	(45)	-	-	-
Intangibles (note 14)	682	-	-	-
Transfer from administrative restructure - others	(78)	-	-	-
	<b>589,505</b>	<b>36,451</b>	<b>-</b>	<b>-</b>

- (a) Borrowing transferred to the Crown related to the TCard project (\$116.3 million) and RMS (\$506.4 million).
- (b) Property, plant & equipment transfers included:
- \$81.7 million in motor registries related assets transferred from RMS to other government agencies;
  - \$47.6 million in land transferred to TfNSW from the Department of Planning & Environment; and
  - \$0.4 million in Port Botany Landside Improvement Strategy assets transferred from Sydney Port Corporation to TfNSW.
- (c) Long service leave assumed by the Crown Entity in respect to the former Roads and Maritime Services staff transferred to Transport Service in 2013/2014.

## 31. After balance date events

From 1 July 2015, RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE)..

TAHE is a dedicated asset manager which will eventually hold all the public transport assets for the State.

The transfer of the public transport assets to TAHE is at this stage expected to occur over the next few years.

The commencement of TAHE also impacts the funding arrangements for rail capital projects commencing from 2015-16. Funding for rail projects will be provided directly to TAHE and not through the TfNSW capital allocation.

Effective 1 July 2015, the Treasurer approved the equity transfer of long service leave and defined benefits superannuation scheme liabilities relating to former RMS award staff from the Transport Service to the Crown. The liabilities transferred to the Crown on 1 July 2015 totalled \$1,356.4 million.

WestConnex Delivery Authority, a controlled entity of RMS, has a matter pertaining to a compulsory acquisition of land valued at \$26.0 million which was published in the Government Gazette on 3 July 2015.

### End of Audited Financial Statements



## INDEPENDENT AUDITOR'S REPORT

### Transport for NSW

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Transport for NSW (TfNSW), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, the service group statements and a summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of TfNSW as at 30 June 2015, and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

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

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

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A T Whitfield PSM  
Acting Auditor-General

17 September 2015  
SYDNEY



# **Transport for NSW**

Annual Financial Statements

*for the year ended 30 June 2015*



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**Transport for NSW**  
**Statement by the Secretary**  
for the year ended 30 June 2015

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Pursuant to sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I state that:

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



Tim Reardon  
**Secretary**

Date: 15 September 2015

**Transport for NSW**  
**Statement of comprehensive income**  
for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
Personnel related expenses	2(a)	432,101	1,466,296	429,300
Other operating expenses	2(b)	344,665	412,447	287,976
Maintenance	2(c)	92,031	-	124,830
Depreciation and amortisation	2(d)	192,629	219,879	169,455
Grants and subsidies	2(e)	9,026,430	10,765,630	8,757,483
Finance costs	2(f)	84,306	88,630	82,839
Other expenses	2(g)	1,307,072	18,876	1,305,870
<b>Total expenses excluding losses</b>		<b>11,479,234</b>	<b>12,971,758</b>	<b>11,157,753</b>
<b>Revenue</b>				
Recurrent appropriations	3(a)	8,592,327	8,908,368	7,971,109
Capital appropriations	3(b)	2,572,766	2,658,393	2,261,580
Sale of goods and services	3(c)	80,665	1,286,208	58,138
Investment revenue	3(d)	18,591	11,389	21,110
Shared and corporate services revenue	3(e)	208,137	-	200,892
Retained taxes, fees and fines	3(f)	2,222	2,307	2,182
Grants and contributions	3(g)	506,526	370,051	864,818
Resources received free of charge	3(h)	23,005	29,235	33,470
Other revenue	3(i)	-	-	3,507
<b>Total revenue</b>		<b>12,004,239</b>	<b>13,265,951</b>	<b>11,416,806</b>
<b>Gain / (loss) on disposal</b>	4	(1,763)	13,960	-
<b>Other gains / (losses)</b>	5	(59,128)	-	(710)
<b>Net result</b>		<b>464,114</b>	<b>308,153</b>	<b>258,343</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to net result</i>				
Net gains in commodity swaps and foreign exchange		125	-	1,508
<i>Items that will not be reclassified to net result</i>				
Net increase in asset revaluation reserve		-	-	92,609
<b>Total other comprehensive income</b>		<b>125</b>	<b>-</b>	<b>94,117</b>
<b>Total comprehensive income</b>		<b>464,239</b>	<b>308,153</b>	<b>352,460</b>

The accompanying notes form part of these financial statements.

**Transport for NSW**  
**Statement of financial position**  
as at 30 June 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	688,251	459,114	762,895
Receivables	8	238,480	582,253	252,526
Inventories	9	1,186	-	1,305
Financial assets at fair value	10	63	-	119
Non-current assets held for sale	11	16,093	-	17,193
<b>Total current assets</b>		<b>944,073</b>	<b>1,041,367</b>	<b>1,034,038</b>
<b>Non-current assets</b>				
Receivables	8	-	1,055,272	-
Financial assets at fair value	10	12	-	36
Other financial assets	12	552	1,169	733
Property, plant and equipment				
Land and buildings	13	591,921	616,509	601,474
Infrastructure systems	13	2,453,078	2,520,446	2,110,634
Plant and equipment	13	1,199,004	1,096,348	1,148,381
Property, plant and equipment		4,244,003	4,233,303	3,860,489
Intangibles	14	720,169	674,780	422,938
Other assets	15	119	-	-
<b>Total non-current assets</b>		<b>4,964,855</b>	<b>5,964,524</b>	<b>4,284,196</b>
<b>Total assets</b>		<b>5,908,928</b>	<b>7,005,891</b>	<b>5,318,234</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	17	759,856	638,079	939,103
Borrowings	18	146,593	177,620	185,892
Provisions	19	71	379,092	714
Other liabilities	20	141,554	-	36,536
Financial liabilities at fair value	21	2,607	-	2,831
<b>Total current liabilities</b>		<b>1,050,681</b>	<b>1,194,791</b>	<b>1,165,076</b>
<b>Non-current liabilities</b>				
Borrowings	18	1,302,832	1,536,433	1,273,539
Provisions	19	9,687	1,054,100	5,233
Other liabilities	20	38,586	45	45
Financial liabilities at fair value	21	74	-	55
<b>Total non-current liabilities</b>		<b>1,351,179</b>	<b>2,590,578</b>	<b>1,278,872</b>
<b>Total liabilities</b>		<b>2,401,860</b>	<b>3,785,369</b>	<b>2,443,948</b>
<b>Net assets</b>		<b>3,507,068</b>	<b>3,220,522</b>	<b>2,874,286</b>
<b>EQUITY</b>				
Reserves		90,002	142,950	89,877
Accumulated funds		3,417,066	3,077,572	2,784,409
<b>Total equity</b>		<b>3,507,068</b>	<b>3,220,522</b>	<b>2,874,286</b>

The accompanying notes form part of these financial statements.

**Transport for NSW**  
**Statement of changes in equity**  
for the year ended 30 June 2015

	Notes	Accumulated funds \$'000	Asset revaluation reserve \$'000	Hedge reserve \$'000	Total equity \$'000
<b>Balance at 1 July 2014</b>		2,784,409	92,609	(2,732)	2,874,286
<b>Net result for the year</b>		<b>464,114</b>	-	-	<b>464,114</b>
<b>Other comprehensive income</b>					
Net gains in commodity swaps and foreign exchange		-	-	125	125
<b>Total other comprehensive income</b>		-	-	<b>125</b>	<b>125</b>
<b>Total comprehensive income for the year</b>		<b>464,114</b>	-	<b>125</b>	<b>464,239</b>
<b>Transactions with owners in their capacity as owners</b>					
Increase in net assets from administrative restructure	28	4,605	-	-	4,605
Equity transfers	25	163,938	-	-	163,938
<b>Balance at 30 June 2015</b>		<b>3,417,066</b>	<b>92,609</b>	<b>(2,607)</b>	<b>3,507,068</b>
<b>Balance at 1 July 2013</b>					
		2,465,384	-	-	2,465,384
<b>Net result for the year</b>		<b>258,343</b>	-	-	<b>258,343</b>
<b>Other comprehensive income</b>					
Net increase in asset revaluation reserve		-	92,609	-	92,609
Net gains in commodity swaps and foreign exchange		-	-	1,508	1,508
<b>Total other comprehensive income</b>		-	<b>92,609</b>	<b>1,508</b>	<b>94,117</b>
<b>Total comprehensive income for the year</b>		<b>258,343</b>	<b>92,609</b>	<b>1,508</b>	<b>352,460</b>
<b>Transactions with owners in their capacity as owners</b>					
Initial recognition of reserves on contracts assigned from RailCorp		-	-	(4,240)	(4,240)
Increase in net assets from administrative restructure	28	81,865	-	-	81,865
Derecognition of MTS Holding		(21,183)	-	-	(21,183)
<b>Balance at 30 June 2014</b>		<b>2,784,409</b>	<b>92,609</b>	<b>(2,732)</b>	<b>2,874,286</b>

The accompanying notes form part of these financial statements.

**Transport for NSW**  
**Statement of cash flows**  
for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>Cash flows from operating activities</b>				
<b>Payments</b>				
Personnel services fees		(388,184)	(1,447,521)	(346,149)
Grants and subsidies		(7,127,106)	(8,613,524)	(6,881,296)
Finance costs		(84,306)	(88,630)	(82,839)
Bus, ferry and light rail contract payments		(1,284,339)	-	(1,291,040)
ETS payments to operators		(646,767)	-	(46,845)
Other		(961,970)	(519,816)	(722,218)
<b>Total payments</b>		<b>(10,492,672)</b>	<b>(10,669,491)</b>	<b>(9,370,387)</b>
<b>Receipts</b>				
Recurrent appropriations		8,592,327	8,908,368	7,971,109
Capital appropriations		2,572,766	2,658,393	2,266,735
Cash transferred to the Consolidated Fund		(5,155)	-	-
Sale of goods and services		784,204	1,296,667	930,073
Grants and contributions		526,126	370,051	868,784
Retained taxes, fees and fines		2,222	-	2,182
Interest received		19,967	11,389	17,613
ETS cardholder receipts		750,494	-	77,047
Other		-	95,540	-
<b>Total receipts</b>		<b>13,242,951</b>	<b>13,340,408</b>	<b>12,133,543</b>
<b>Net cash flows from operating activities</b>	22	<b>2,750,279</b>	<b>2,670,917</b>	<b>2,763,156</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of land and buildings		1,104	-	-
Purchases of land and buildings, plant and equipment and infrastructure systems		(2,847,217)	(2,627,140)	(2,352,318)
Payment of finance lease liabilities		(69,905)	-	(60,732)
Advances made		-	-	-
Proceeds from sale of investments		-	37,725	-
Purchases of investments		-	-	-
Other		45	(240,404)	20
<b>Net cash flows from investing activities</b>		<b>(2,915,973)</b>	<b>(2,829,819)</b>	<b>(2,413,030)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings and advances		91,050	188,243	69,698
Repayment of borrowings and advances		-	(74,215)	-
<b>Net cash flows from financing activities</b>		<b>91,050</b>	<b>114,028</b>	<b>69,698</b>
<b>Net increase / (decrease) in cash</b>		<b>(74,644)</b>	<b>(44,874)</b>	<b>419,824</b>
Opening cash and cash equivalents		762,895	503,988	342,334
Cash transferred in as a result of administrative restructure	28	-	-	737
<b>Closing cash and cash equivalents</b>	7	<b>688,251</b>	<b>459,114</b>	<b>762,895</b>

The accompanying notes form part of these financial statements.

**Transport for NSW**  
**Service group statements**

for the year ended 30 June 2015

Expenses and income	Asset Maintenance		Services & Operations		Growth & Improvement		Not attributable		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Expenses excluding losses</b>										
Operating expenses										
Personnel related expenses	10,103	17,682	359,477	358,348	62,521	53,270	-	-	432,101	429,300
Other operating expenses	5,112	4,124	224,119	244,229	115,434	39,623	-	-	344,665	287,976
Maintenance	91,829	124,830	202	-	-	-	-	-	92,031	124,830
Depreciation and amortisation	-	-	192,629	169,455	-	-	-	-	192,629	169,455
Grants and subsidies	489,384	485,920	2,501,176	2,764,034	6,035,870	5,507,529	-	-	9,026,430	8,757,483
Finance costs	-	-	67,956	66,980	16,350	15,859	-	-	84,306	82,839
Other expenses	-	1,120	1,290,943	1,192,905	16,129	111,845	-	-	1,307,072	1,305,870
<b>Total expenses excluding losses</b>	<b>596,428</b>	<b>633,676</b>	<b>4,636,502</b>	<b>4,795,951</b>	<b>6,246,304</b>	<b>5,728,126</b>	<b>-</b>	<b>-</b>	<b>11,479,234</b>	<b>11,157,753</b>
<b>Revenue</b>										
Recurrent appropriations	-	-	-	-	-	-	8,592,327	7,971,109	8,592,327	7,971,109
Capital appropriations	-	-	-	-	-	-	2,572,766	2,261,580	2,572,766	2,261,580
Sale of goods and services	3,843	1,782	76,804	56,356	18	-	-	-	80,665	58,138
Investment revenue	679	1,369	13,658	18,227	4,254	1,514	-	-	18,591	21,110
Shared and corporate services revenue	-	-	208,137	200,892	-	-	-	-	208,137	200,892
Retained taxes, fees and fines	-	-	2,222	2,182	-	-	-	-	2,222	2,182
Grants and contributions	-	-	506,526	864,818	-	-	-	-	506,526	864,818
Resources received free of charge	-	-	23,005	33,470	-	-	-	-	23,005	33,470
Other revenue	-	-	-	-	-	3,507	-	-	-	3,507
<b>Total revenue</b>	<b>4,522</b>	<b>3,151</b>	<b>830,352</b>	<b>1,175,945</b>	<b>4,272</b>	<b>5,021</b>	<b>11,165,093</b>	<b>10,232,689</b>	<b>12,004,239</b>	<b>11,416,806</b>
<b>Gain / (loss) on disposal</b>	<b>-</b>	<b>-</b>	<b>(1,763)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,763)</b>	<b>-</b>
<b>Other gains / (losses)</b>	<b>-</b>	<b>-</b>	<b>(59,128)</b>	<b>(710)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(59,128)</b>	<b>(710)</b>
<b>Net result</b>	<b>(591,906)</b>	<b>(630,525)</b>	<b>(3,867,041)</b>	<b>(3,620,716)</b>	<b>(6,242,032)</b>	<b>(5,723,105)</b>	<b>11,165,093</b>	<b>10,232,689</b>	<b>464,114</b>	<b>258,343</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>94,117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>94,117</b>
<b>Total comprehensive income for the year</b>	<b>(591,906)</b>	<b>(630,525)</b>	<b>(3,866,916)</b>	<b>(3,526,599)</b>	<b>(6,242,032)</b>	<b>(5,723,105)</b>	<b>11,165,093</b>	<b>10,232,689</b>	<b>464,239</b>	<b>352,460</b>

The names and purposes of each service group are summarised in note 6.

Appropriations are made on an entity basis and not to individual service groups. Consequently appropriations are included in the "Not attributable" column.

## Transport for NSW Service group statements

for the year ended 30 June 2015

Assets and liabilities	Asset Maintenance		Services & Operations		Growth & Improvement		Not attributable		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	34,873	168,770	481,499	535,588	171,879	58,537	-	-	688,251	762,895
Receivables	12,084	60,849	166,840	188,105	59,556	3,572	-	-	238,480	252,526
Inventories	-	-	1,186	1,305	-	-	-	-	1,186	1,305
Financial assets at fair value	-	-	63	119	-	-	-	-	63	119
Non-current assets held for sale	-	-	-	-	16,093	17,193	-	-	16,093	17,193
	<b>46,957</b>	<b>229,619</b>	<b>649,588</b>	<b>725,117</b>	<b>247,528</b>	<b>79,302</b>	-	-	<b>944,073</b>	<b>1,034,038</b>
<b>Non-current assets</b>										
Receivables	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value	-	-	12	36	-	-	-	-	12	36
Other financial assets	-	-	552	733	-	-	-	-	552	733
Property, plant and equipment										
Land and buildings	-	-	314,057	273,989	277,864	327,485	-	-	591,921	601,474
Infrastructure systems	-	-	1,950,152	1,907,284	502,926	203,350	-	-	2,453,078	2,110,634
Plant and equipment	-	-	1,199,004	1,148,381	-	-	-	-	1,199,004	1,148,381
Property, plant and equipment	-	-	<b>3,463,213</b>	<b>3,329,654</b>	<b>780,790</b>	<b>530,835</b>	-	-	<b>4,244,003</b>	<b>3,860,489</b>
Intangibles	-	-	32,193	18,153	687,976	404,785	-	-	720,169	422,938
Other assets	-	-	119	-	-	-	-	-	119	-
	-	-	<b>3,496,089</b>	<b>3,348,576</b>	<b>1,468,766</b>	<b>935,620</b>	-	-	<b>4,964,855</b>	<b>4,284,196</b>
<b>Total assets</b>	<b>46,957</b>	<b>229,619</b>	<b>4,145,677</b>	<b>4,073,693</b>	<b>1,716,294</b>	<b>1,014,922</b>	-	-	<b>5,908,928</b>	<b>5,318,234</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Payables	10,644	12,306	495,004	797,565	254,208	129,232	-	-	759,856	939,103
Borrowings	-	-	78,094	69,592	68,499	116,300	-	-	146,593	185,892
Provisions	-	-	71	714	-	-	-	-	71	714
Other liabilities	2,149	-	93,340	36,536	46,065	-	-	-	141,554	36,536
Financial liabilities at fair value	-	-	2,607	2,831	-	-	-	-	2,607	2,831
	<b>12,793</b>	<b>12,306</b>	<b>669,116</b>	<b>907,238</b>	<b>368,772</b>	<b>245,532</b>	-	-	<b>1,050,681</b>	<b>1,165,076</b>
<b>Non-current liabilities</b>										
Borrowings	-	-	951,795	945,053	351,037	328,486	-	-	1,302,832	1,273,539
Provisions	-	-	9,687	5,233	-	-	-	-	9,687	5,233
Other liabilities	-	-	-	45	38,586	-	-	-	38,586	45
Financial liabilities at fair value	-	-	74	55	-	-	-	-	74	55
	-	-	<b>961,556</b>	<b>950,386</b>	<b>389,623</b>	<b>328,486</b>	-	-	<b>1,351,179</b>	<b>1,278,872</b>
<b>Total liabilities</b>	<b>12,793</b>	<b>12,306</b>	<b>1,630,672</b>	<b>1,857,624</b>	<b>758,395</b>	<b>574,018</b>	-	-	<b>2,401,860</b>	<b>2,443,948</b>
<b>Net assets</b>	<b>34,164</b>	<b>217,313</b>	<b>2,515,005</b>	<b>2,216,069</b>	<b>957,899</b>	<b>440,904</b>	-	-	<b>3,507,068</b>	<b>2,874,286</b>

The names and purposes of each service group are summarised in note 6.



**Transport for NSW**  
**Service group statements**

for the year ended 30 June 2015

Administered expenses and income	Asset Maintenance		Services & Operations		Growth & Improvement		Not attributable		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Administered expenses</b>										
Transfer of taxes, fees and fines to the Crown Entity	-	-	-	-	-	-	35,665	37,842	35,665	37,842
<b>Total administered expenses</b>	-	-	-	-	-	-	<b>35,665</b>	<b>37,842</b>	<b>35,665</b>	<b>37,842</b>
<b>Administered income</b>										
Consolidated Fund taxes, fees and fines	-	-	-	-	-	-	36,125	37,922	36,125	37,922
<b>Total administered income</b>	-	-	-	-	-	-	<b>36,125</b>	<b>37,922</b>	<b>36,125</b>	<b>37,922</b>
<b>Administered income less expenses</b>	-	-	-	-	-	-	<b>460</b>	<b>80</b>	<b>460</b>	<b>80</b>

The names and purposes of each service group are summarised in note 6.  
Administered assets and liabilities are disclosed in note 30.

**Transport for NSW**  
**Summary of compliance with finance directives**  
for the year ended 30 June 2015

	Recurrent appropriation \$'000	Expenditure / net claim on Consolidated Fund \$'000	Capital appropriation \$'000	Expenditure / net claim on Consolidated Fund \$'000
<b>2015</b>				
<b>Original budget appropriation / expenditure</b>				
Appropriation Act	8,908,368	8,592,327	2,658,393	2,572,766
S 24 PF&AA - transfers of functions between entities	-	-	-	-
	<b>8,908,368</b>	<b>8,592,327</b>	<b>2,658,393</b>	<b>2,572,766</b>
<b>Other appropriation / expenditure</b>				
Treasurer's advance	-	-	-	-
Transfers to / from another entity (s 32 of the Appropriations Act)	(81,343)	-	(18,000)	-
	<b>(81,343)</b>	<b>-</b>	<b>(18,000)</b>	<b>-</b>
<b>Total appropriation / expenditure net claim on Consolidated Fund</b>				
	<b>8,827,025</b>	<b>8,592,327</b>	<b>2,640,393</b>	<b>2,572,766</b>
Drawdown against appropriations (notes 3(a), 3(b))		8,592,327		2,572,766
<b>Liability to Consolidated Fund (Note 20)</b>		<b>-</b>		<b>-</b>
<b>2014</b>				
<b>Original budget appropriation / expenditure</b>				
Appropriation Act	8,080,774	7,971,109	2,342,962	2,261,580
S 24 PF&AA - transfers of functions between entities	-	-	-	-
	<b>8,080,774</b>	<b>7,971,109</b>	<b>2,342,962</b>	<b>2,261,580</b>
<b>Other appropriation / expenditure</b>				
Treasurer's advance	-	-	-	-
Transfers to / from another entity (s 31 of the Appropriations Act)	(109,662)	-	-	-
	<b>(109,662)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total appropriation / expenditure net claim on Consolidated Fund</b>				
	<b>7,971,112</b>	<b>7,971,109</b>	<b>2,342,962</b>	<b>2,261,580</b>
Drawdown against appropriations (notes 3(a), 3(b))		7,971,109		2,266,735
<b>Liability to Consolidated Fund (Note 20)</b>		<b>-</b>		<b>(5,155)</b>

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

### **(a) Transport for NSW - Reporting entity**

Transport for NSW was established on 1 November 2011 as a statutory authority to take over the roles and functions previously carried out by the Department of Transport including the planning, procurement, delivery and coordination of transport services and infrastructure in NSW.

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

- Roads and Maritime Services
- Sydney Ferries
- State Transit Authority
- Rail Corporation of New South Wales
- Sydney Trains
- NSW Trains
- MTS Holding Company Pty Limited (ceased operations in May 2014)

NSW Treasury on 5 March 2015 confirmed the exemption granted to Transport for NSW, a controlled entity of the Department of Transport, from preparing consolidated financial statements on the basis that the Department of Transport, as the ultimate parent entity, produces consolidated financial statements. These financial statements are for the Transport for NSW parent entity only.

Transport for NSW is a not-for-profit organisation. Transport for NSW is consolidated as part of the NSW Total State Sector Accounts.

The financial statements of Transport for NSW for the year ended 30 June 2015 were authorised for issue by the Secretary on the date the accompanying Statement was signed.

### **(b) Basis of preparation**

The financial statements are general purpose financial statements which have been prepared in accordance with: Applicable Australian Accounting Standards (which include Australian Accounting interpretations); The requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010*; and The Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer under *section 9(2)(n) of the Act*.

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

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

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

**(c) Critical accounting estimates, judgement and assumptions**

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

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

The judgements, key assumptions and estimates management has made are disclosed in the relevant notes to the financial statements.

**(d) Statement of compliance**

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

**(e) Administered activities**

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

Transactions and balances relating to the administered activities are not recognised as Transport for NSW's income, expenses, assets and liabilities, but disclosed in the accompanying schedules as "Administered income", "Administered expenses", "Administered assets" and "Administered liabilities".

The accrual basis of accounting and applicable accounting standards has been adopted.

**(f) Personnel services**

Transport for NSW cannot directly employ staff. The personnel services are provided by the Transport Service of New South Wales, Department of Transport and various transport agencies until all staff have been transferred to the Transport Service of New South Wales. As a result, Transport for NSW reports personnel service expenses, not employee related expenses.

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

For further details on personnel service expenses refer to note 2(a).

Some personnel service expenses are included in the construction costs of intangible assets and rail infrastructure systems and are, therefore, not included in the personnel service expenses.

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

**(g) Other operating expenses and maintenance**

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

Maintenance costs relate principally to infrastructure systems and interchanges and do not include any personnel service expenses.

**(h) 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.

**(i) Finance costs**

Finance costs comprise mainly interest on borrowings and finance lease interest charges. In accordance with Treasury's mandate for the not-for-profit general government sector agencies, finance costs are expensed and recognised in the statement of comprehensive income in the period in which they are incurred.

**(j) Insurance**

Transport for NSW arranges insurance cover through the NSW Treasury Managed Fund Scheme apart from country rail infrastructure cover which is arranged through private insurance providers. The cost of insurance is expensed in the period to which the insurance cover relates.

**(k) Other expenses**

Other expenses include payments to bus and ferry operators for the provision of bus and ferry services in the metropolitan, regional and rural areas of New South Wales.

**(l) Accounting for the Goods and Services Tax (GST)**

Income, expenses and assets are recognised net of the amount of GST, except that: the amount of GST incurred by Transport for NSW as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and receivables and payables are stated with the amount of GST included.

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

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

### **(m) Income recognition**

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

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

Parliamentary appropriations and contributions from other bodies (including grants and contributions) are generally recognised as income when Transport for NSW obtains control over the assets comprising the appropriations/ contributions. Control over appropriations/ contributions is normally obtained upon the receipt of cash. At 30 June unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund. Any liability is disclosed in note 20 as part of "Other liabilities". The amount will be repaid and the liability will be extinguished in the next financial year.

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

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

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

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

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

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

Interest revenue on cash and cash equivalents is recognised using the effective interest method as set out AASB 139 *Financial Instruments: Recognition and Measurement*. Rental revenue is recognised in accordance with AASB 117 *Leases* on a straight line basis over the lease term. Royalty revenue is recognised in accordance with AASB 118 *Revenue* on an accrual basis in accordance with the substance of the relevant agreement.

#### **(v) Shared and corporate services revenue**

Shared and corporate services revenue represents revenue for the provision of shared and other corporate services to various transport operating entities and is recognised when the service is provided.

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

Other revenue comprises the value of the emerging interest in the Ultimo Pyrmont Light Rail. The non-cash revenue is also recognised as an asset (note 15).

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

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

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

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

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

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Transport for NSW in accordance with AASB 116 *Property, Plant and Equipment*. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. deferred payment amount is effectively discounted at an asset- specific rate.

The cost of assets constructed for own use includes the purchase cost, other directly attributable costs and the initial estimates of dismantling and restoration costs.

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

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

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

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

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (n) Property, plant and equipment (cont'd)

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer to note 13 and note 16 for further information regarding fair value of PPE assets.

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

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

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

Transport for NSW revalues land and buildings at least once every three years and each other class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Revaluations are performed by independent professionally qualified valuers.

The last revaluation of property, plant and equipment was summarised as follows:

Asset Type	Last revaluation date
Land and buildings	28 February 2015
Light rail infrastructure	30 June 2014
Country regional network infrastructure	30 June 2012

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

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

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

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

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

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



# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (n) Property, plant and equipment (cont'd)

##### (iv) Revaluation of property, plant and equipment (cont'd)

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

An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 20%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20%.

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

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

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

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

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

<b>Asset Class</b>	<b>Useful Lives</b>
Buildings	40 years
Plant and equipment	3- 30 years
Finance leased buses	15 years
Infrastructure systems	10 -100 years

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

##### (vii) Major inspection costs

When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognised.

##### (viii) Restoration costs

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

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

**(n) Property, plant and equipment (cont'd)**

**(ix) Maintenance**

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

**(x) Leased assets**

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

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

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

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

**(xi) Derecognition**

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

**(o) Intangible assets**

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met in accordance with *AASB 138 Intangible Assets*.

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

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.

Transport for NSW's intangible assets comprise principally information technology systems which are amortised using the straight line method over periods ranging from 2 to 10 years.

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

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

### **(p) Financial instruments recognition and Measurement**

Financial assets and financial liabilities are recognised when Transport for NSW becomes a party to the contractual provisions of the financial instrument.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial assets and financial liabilities are measured initially at fair value (usually cost) plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, and measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

For the purpose of subsequent measurement, financial assets other than those designated as hedging instruments (non derivative financial assets) are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at Fair Value Through Profit or Loss;
- Held-To-Maturity investments;
- Available-For-Sale financial assets.

The category determines subsequent measurement and whether any resulting income or expense is recognised in profit or loss or other comprehensive income. Refer to note 1(q) to 1(s) for further disclosure regarding the accounting policy on subsequent measurement of non derivative financial assets.

Financial liabilities other than those designated as hedging instruments (non derivative financial liabilities) are subsequently measured at amortised cost using the effective interest method, which is a reasonable approximation of their fair value; except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with any gain or loss recognised in profit or loss. Refer to note 1(y) for further disclosure regarding the accounting policy on financial liabilities.

Financial assets and financial liabilities carried at amortised cost after initial recognition, is considered as a reasonable approximation of their fair value.

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

Cash and cash equivalents in the Statement of financial position comprises cash on hand and cash at bank held through the Treasury Banking System and in the NSW Treasury Corporation (TCorp) Hour-Glass Cash Facility.

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

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

### **(r) Loans and receivables**

Loans and receivables are non derivative financial assets with fixed or determined payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the period when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

### **(s) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit and loss, transaction costs. Transport for NSW determines the classification of its financial assets on initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

*(i) Fair value through profit and loss:* Transport for NSW subsequently measures investments classified as “held for trading” or designated upon initial recognition “at fair value through profit and loss” at fair value. Financial assets are classified as “held for trading” if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the period.

*(ii) Held-to-maturity investments:* Non derivative financial investments with fixed or determinable payments and fixed maturity that Transport for NSW has the positive intention and ability to hold to maturity are classified as “held to maturity”. These investments are measured at amortised cost using the effective interest rate method. Changes are recognised in the net result for the period when impaired, derecognised or through the amortisation process.

*(iii) Available-for-sale investments:* Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the period. However, interest calculated using the effective interest method and dividends are recognised in the net result for the period.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date, i.e. the date Transport for NSW commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of financial position date.

Unquoted investment in subsidiaries incorporated as proprietary companies are stated at cost less accumulated impairment in the parent entity's Statement of financial position. The investment is subject to at least annual reviews for impairment.

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

### **(t) Derivative financial instruments and hedge accounting**

Transport for NSW holds derivative financial instruments to hedge its foreign currency risk exposure arising from overseas purchase commitments. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

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

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

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

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

Transport for NSW has designated its forward currency contracts as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and included within the cash flow hedge reserve in equity, while any ineffective portion is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is transferred from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if the hedged item is the cost of a non-financial asset or liability, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

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

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

### **(u) Impairment of financial assets**

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

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

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

Any reversals of impairment losses are reversed through the net result for the period, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as available - for - sale must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

### **(v) Derecognition of financial assets and financial liabilities**

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

- where substantially all the risks and rewards have been transferred; or
- where Transport for NSW has not transferred substantially all the risks and rewards, if the reporting entity has not retained control.

Where Transport for NSW has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset is recognised to the extent of Transport for NSW's continuing involvement in the asset.

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

### **(w) Non-current assets (or disposal groups) held for sale**

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

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

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

### **(x) Other assets – private sector provided infrastructure**

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

In the absence of a specified Australian Accounting Standard, Treasury Policy and Guidelines Paper Accounting for Privately Financed Projects (TPP06-8) applies. The policy requires Transport for NSW to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the government bond rate at the commencement of the project. During the concession period, the reporting entity recognises the annual value of the right to receive the infrastructure as an asset and revenue.

### **(y) Liabilities**

#### **(i) Payables**

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

#### **(ii) Borrowings**

Borrowings are not held for trading or designated at fair value through profit or loss. Borrowings are initially measured at the fair value of the consideration received and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on de-recognition.

The finance lease liability is determined in accordance with *AASB 117 Leases*.

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

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

#### **(iii) Other provisions**

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

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

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (y) Liabilities (cont'd)

##### (iii) Other provisions (cont'd)

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and risk specific to the liability.

#### (z) Fair value hierarchy

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

Level 1 – quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

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

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

Refer to note 16 and note 27 for further disclosures regarding fair value measurements of financial and non-financial assets.

#### (aa) 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 Transport for NSW's policy on the revaluation of property, plant and equipment as discussed in note 1(n)(iv).

##### (ii) Hedge reserve

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and is accumulated in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

##### (iii) Accumulated funds

The category "Accumulated funds" includes all current and prior period retained funds.

##### (iv) Equity transfer

Equity transfers represent the transfer of net assets/liabilities between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated funds". This treatment is consistent with *AASB 1004 Contributions* and *Australian Interpretation 1038 Contributions by Owners made to Wholly-owned public Sector Entities*.



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

### **(aa) Equity and reserves (cont'd)**

#### **(iv) Equity transfers (cont'd)**

Transfers arising from an administrative restructure involving not-for-profit and for-profit government departments 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.

### **(bb) Budgeted amounts**

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Amendments made to the budget are not reflected in the budgeted amounts. Major variances between the original budgeted amount and the actual amounts disclosed in the primary financial statements are explained in note 29.

The budget for Transport for NSW is inclusive of Transport Service of NSW, Department of Transport and Transport for NSW.

### **(cc) Service groups costing**

Service Groups costs comprise direct costs and indirect costs. Direct and indirect costs include employee related expenses, depreciation and amortisation, grants and subsidies, finance charges and operating expenses. Direct costs relate to those activities that contribute specifically to the service delivery of one of the Service Groups. Indirect costs relate to those general activities that benefit all Service Groups. Indirect costs are allocated across the three service groups on a pro-rata basis having regard to the direct allocations to each service groups with this method considered to be both systematic and rational and is applied consistently to all costs having similar characteristics.

Assets and liabilities that could be attributed to one of the service groups were allocated to that service group. The other assets and liabilities are allocated across the three service groups on a pro-rata basis having regard to the direct allocations to each service groups with this method considered to be both systematic and rational and is applied consistently to all assets and liabilities having similar characteristics.

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

#### **(i) Effective for the first time in 2014-15**

The accounting policies applied in 2014-15 are consistent with those of the previous financial year except as a result of the following new Australian Accounting Standard that have been applied for the first time in 2014-15.

#### **AASB 1055 Budgetary Reporting**

The adoption of AASB 1055 has had no significant impact on the entity.

AASB 1055 requires the disclosure of budgetary information by not-for-profit entities within the General Government Sector. In particular, entities are required to disclose the original budget presented to Parliament, and explanations of significant variances between actual amounts and original budgets. The disclosure of the budgeted information is to be on the same presentation and classification basis adopted in the financial statements. As a result, any s24 of the Public Finance and Audit Act adjustments will be included in the explanation of material variance rather than as adjustment to the original budget. Comparative budgetary information in respect of the previous period need not be disclosed.

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (ii) Issued but not yet effective

At reporting date all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to TfNSW's operations and effective for the current annual reporting period have been adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2015 in accordance with Treasury mandated policy. The impact of these standards in the period of initial application will not be significant.

Standard	Applicable to annual reporting periods beginning on or after
AASB 9 Financial Instruments, AASB 2010-7, AASB 2014-7 and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 January 2015 (Part C)
AASB 2014-1 Amendments to Australian accounting standards	1 January 2016 (Part D) 1 January 2015 (Part E)
AASB 2014-4 Amendments to Australian accounting standards Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
AASB 2014-9 Amendments to Australian accounting standards – Equity Method in Separate Financial Statements	1 January 2016
AASB 2014-10 Amendments to Australian accounting standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	1 July 2016
AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities	1 July 2016

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

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**2. Expenses excluding losses**

**(a) Personnel related expenses**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
(i) Personnel services:		
Salaries (including recreation leave)	304,050	312,254
Superannuation - defined benefits plan	4,698	4,417
Superannuation - defined contribution plan	24,598	21,223
Long service leave	18,218	28,830
Workers' compensation insurance	64	542
Payroll tax and fringe benefit tax	19,584	17,615
Redundancies	2,006	4,192
Other employee expenses	852	908
	*	
	<b>374,070</b>	<b>389,981</b>
(ii) Skill hire contractors	58,031	39,319
	<b>432,101</b>	<b>429,300</b>

\* In addition to the above, \$109.0 million (2014: \$87.7 million) has been included in major rail project expenses, non-cash grant expenses, and capitalised in intangible assets (information technology systems).

**(b) Other operating expenses**

Advertising and marketing	36,303	30,763
Consultants	11,599	10,088
Monorail Expenses	-	14,560
Specialist contractors	155,423	89,507
Other contractors	27,643	34,771
Electricity	1,727	1,952
Auditor's remuneration - audit of the financial statements	486	260
Fleet hire and leasing charges including contingent rents and rail access fees	1,258	992
Fuel costs	115	98
Information technology	16,482	11,504
Insurance	1,531	1,476
Internal audit fees	1,079	930
Legal services	2,808	4,894
Office expenses	28,894	43,496
Property rent and other related expenses	33,244	27,235
Security costs	3,600	3,026
Telecommunications	4,852	4,418
Travel expenses - domestic and international	1,356	1,144
General expenses	16,265	6,862
	<b>344,665</b>	<b>287,976</b>

**(c) Maintenance**

Maintenance	8,583	4,419
Maintenance - infrastructure	83,448	120,411
	<b>92,031</b>	<b>124,830</b>

There is no maintenance costs included in personnel related expenses.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2015

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

#### (d) Depreciation and amortisation

	2015 \$'000	2014 \$'000
<b>Depreciation:</b>		
Infrastructure systems (note 13)	91,267	91,569
Buildings (note 13)	7,464	4,509
Plant and equipment (note 13)	15,326	6,415
Finance leased buses (note 13)	69,904	60,733
Rolling stock (note 13)	1,032	477
	<b>184,993</b>	<b>163,703</b>
<b>Amortisation:</b>		
Information technology systems (note 14)	7,636	5,752
	<b>7,636</b>	<b>5,752</b>
	<b>192,629</b>	<b>169,455</b>

#### (e) Grants and subsidies

Taxi Transport Subsidy Scheme	28,914	28,597
Community transport groups	72,196	65,557
Private Vehicle Conveyance	23,362	22,441
Rail services & capital works	4,065,326	4,143,005
Ferry services & capital works	3,539	-
Carparks and interchanges	8,677	14,018
Roads and Maritime services & capital works	4,735,859	4,389,184
Grants to councils - maintenance of transport infrastructure	7,471	66
National transport regulators	13,767	20,154
Road safety grant to NSW Police	30,146	29,884
Other transport operators	12,721	5,653
Others	24,452	38,924
	<b>9,026,430</b>	<b>8,757,483</b>

#### (f) Finance costs

Finance lease interest charge	67,956	66,980
Interest expense on TCorp borrowings	16,350	15,790
Other finance costs	-	69
	<b>84,306</b>	<b>82,839</b>

#### (g) Other expenses

Bus contract payments - metropolitan and outer metro bus operators	782,706	796,056
Major events - bus and rail services	9,602	9,806
Bus contract payments - rural and regional bus operators	393,896	388,040
Ferry contract payments	91,554	83,630
Light rail contract payments	16,183	17,661
Nightride bus services	9,260	9,137
Infrastructure projects	3,871	1,540
	<b>1,307,072</b>	<b>1,305,870</b>

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2015

### 3. Revenue

#### (a) Recurrent appropriations

	2015 \$'000	2014 \$'000
Total recurrent draw-downs from NSW Treasury (per Summary of compliance with financial directives)	8,592,327	7,971,109
Less: Liability to Consolidated Fund (per Summary of compliance with financial directives)	-	-
	<b>8,592,327</b>	<b>7,971,109</b>
Comprising:		
Recurrent appropriations (per Statement of comprehensive income)	8,592,327	7,971,109
	<b>8,592,327</b>	<b>7,971,109</b>

#### (b) Capital appropriations

Total capital draw-downs from NSW Treasury (per Summary of compliance with financial directives)	2,572,766	2,266,735
Less: Liability to Consolidated Fund (per Summary of compliance with financial directives)	-	(5,155)
	<b>2,572,766</b>	<b>2,261,580</b>
Comprising:		
Capital appropriations (per Statement of comprehensive income)	2,572,766	2,261,580
	<b>2,572,766</b>	<b>2,261,580</b>

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

Recoupment of project costs	34,392	16,200
Access fees <sup>1</sup>	10,375	10,629
Fees for personnel services	15,412	19,116
Major events revenue	7,045	6,444
Legal settlement	3,100	-
Training	3,652	2,263
Other	6,689	3,486
	<b>80,665</b>	<b>58,138</b>

<sup>1</sup> Transport for NSW has entered into multi-year infrastructure access agreements with its customers. The dollar value of the business generated by the agreements depends on the rates charged, which are negotiated annually over the life of the agreements, and the annual level of customer usage.

#### (d) Investment revenue

Rents	4,283	4,797
Interest revenue from financial assets at fair value through profit or loss (TCorp Hour-Glass Cash Facility)	908	1,380
Interest on bank account	13,400	14,933
	<b>18,591</b>	<b>21,110</b>

#### (e) Shared and corporate services revenue

Shared and corporate services revenue <sup>2</sup>	208,137	200,892
	<b>208,137</b>	<b>200,892</b>

<sup>2</sup> Shared and corporate services revenue comprises fees charged by the entity for the provision of shared and other corporate services to other transport entities.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2015

### 3. Revenue (cont'd)

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

	2015 \$'000	2014 \$'000
Taxi operators' accreditation renewal fees	2,222	2,182
	<b>2,222</b>	<b>2,182</b>

#### (g) Grants and contributions

Community transport groups	65,931	57,522
Crown Entity	344,638	766,771
Other	95,957	40,525
	<b>506,526</b>	<b>864,818</b>

Transport for NSW received grants of \$65.9 million (2014: \$57.5 million) from the Department of Family and Community Services for the Community Transport Group funding scheme.

Transport for NSW received grants from the Crown Entity of nil million (2014: \$109.7 million) to fund major rail infrastructure projects, \$101.7 million (2014: \$193.0 million) to fund redundancy grants in the Transport cluster, \$242.9 million (2014: \$424.1 million) for the RMS Restart program.

Other includes \$38.2 million (2014: \$20.0 million) receivable from Barangaroo Delivery Authority as a contribution towards the Wynyard Walk Development, \$55.0 million (2014: nil) received from Hunter Development Authority as a contribution to light rail.

#### (h) Resources received free of charge

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

Personnel services - superannuation - defined benefit	4,698	4,417
Personnel services - long service leave	18,218	28,830
Personnel services - payroll tax	89	223
	<b>23,005</b>	<b>33,470</b>

#### (i) Other revenue

Emerging interest in Ultimo Pymont Light Rail (note 15)	-	3,507
	-	<b>3,507</b>

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

	2015 \$'000	2014 \$'000
Written down value of intangibles disposed (note 14)	(726)	-
Written down value of property, plant and equipment disposed (note 13)	(1,037)	-
	<b>(1,763)</b>	-

**Transport for NSW**  
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**5. Other gains / (losses)**

	2015 \$'000	2014 \$'000
Allowances for impairment of receivables	(7)	(886)
Revaluation decrement	(59,125)	-
Gain on disposal of non-current assets held for sale	4	176
	<b>(59,128)</b>	<b>(710)</b>

**6. Service groups of Transport for NSW**

Transport for NSW has three service groups namely:

**Asset maintenance**

*Description:* This service group covers work performed on physical assets to address defects and deterioration in their condition, and replacement required at the end of their useful life, to ensure operational capacity. The scope of activities within this service group includes maintaining current fleet and infrastructure to applicable standards, replacing infrastructure to current standards at the end of its useful life (which is impacted by deterioration over time and by consumption or use) and interventions made to improve cost efficiency and performance of assets in conjunction with the previously listed activities.

**Services and Operations**

*Description:* This service group covers work performed in operating and utilising the transport network and fleet to provide the required services to customers. The scope of the activities in the service group includes deploying resources and utilising physical assets in the provision of front line customer services, deploying resources to influence demand and transport user behaviour, replacing fleet and the end of their useful life, work performed by external parties as part of a financing agreement (for example, public-private partnerships, leases or grants) and shared corporate and employee services.

**Growth and Improvement**

*Description:* This service group covers work done to contribute to the expansion of the asset portfolio, specifically to meet changing or improved standards or enhanced system capability. The scope of activities within this service group includes investigations, feasibility studies, optioneering that may result in network improvement and expansion programs, initiatives to improve functionality on existing operational assets to meet new service and legislative requirements and initiatives to expand the existing asset portfolio to increase the capacity of the transport system.

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**7. Cash and cash equivalents**

	2015 \$'000	2014 \$'000
Cash at bank and on hand	688,251	714,324
TCorp Hour-Glass Cash Facility	-	48,571
	<b>688,251</b>	<b>762,895</b>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank held through Treasury Banking System, cash on hand, and TCorp Hour-Glass Cash Facility.

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:

	2015 \$'000	2014 \$'000
Cash and cash equivalents (per statement of financial position)	688,251	762,895
<b>Closing cash and cash equivalents (per statement of cash flows)</b>	<b>688,251</b>	<b>762,895</b>

Refer note 27 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Cash and cash equivalent assets do not include funds held in trust for compulsory land acquisition compensation payable under the Land Acquisition (Just Terms Compensation) Act 1911 \$63.0 million (2014: nil), and funds received in relation to the Railway Contribution Deed entered between Transport Administration Corporation and North Sydney Council used to offset the cost of North Sydney Station upgrade \$6.1million (2014: \$4.7 million).

Restricted cash and cash equivalents

Cash and cash equivalent assets include restricted cash of \$153.4 million (2014: \$106.4 million) which has been quarantined specifically in relation to the Parking Space Levy (PSL) of \$149.1 million (2014:\$103.0 million) and Community Transport Groups of \$4.3 million (2014: \$3.4 million).

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

The Commonwealth provides funding for the delivery of activities under certain aged care programs known as Aged Care Funding. These funds are required to be quarantined for specific use as defined by the terms and conditions for Aged Care Funding, including for the provisions of transport services by Community Transport Groups.

The Community Road Safety Fund legislation, which came into effect on 1 May 2013, requires that all money raised from speed camera offences is to be spent on road safety. At balance date there was no surplus fund to be quarantined.



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**8. Receivables**

	2015 \$'000	2014 \$'000
<b>Current receivables</b>		
Sale of goods and services	72,751	91,462
Goods and Services Tax recoverable	101,488	105,415
Prepayments	20,302	21,689
Income receivable	38,251	27,780
Investment income receivable	5,659	7,035
Other debtors	36	31
	<b>238,487</b>	<b>253,412</b>
Less: Allowance for impairment	(7)	(886)
	<b>238,480</b>	<b>252,526</b>

**Movements in the allowance for impairment**

Balance at 1 July	(886)	(85)
Decrease in allowance recognised in net result	1,300	85
Increase in allowance recognised in net result	(421)	(886)
<b>Balance at 30 June</b>	<b>(7)</b>	<b>(886)</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in note 27.

**9. Inventories**

	2015 \$'000	2014 \$'000
<b>Current inventories held for distribution</b>		
Materials, spare parts and other stores	1,186	1,305
	<b>1,186</b>	<b>1,305</b>

**10. Financial assets at fair value**

	2015 \$'000	2014 \$'000
<b>Current</b>		
Derivatives	63	119
	<b>63</b>	<b>119</b>
<b>Non-current</b>		
Derivatives	12	36
	<b>12</b>	<b>36</b>

**Transport for NSW**  
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**11. Non-current assets held for sale**

	2015 \$'000	2014 \$'000
Land and buildings held for sale	16,093	17,193
	<b>16,093</b>	<b>17,193</b>

Non-current assets held for sale comprise land and buildings transferred from Transport Construction Authority and Sydney Metro as part of administrative restructures in 2011-12. These assets are not required for any future transport infrastructure projects and accordingly are earmarked for sale in 2015-16.

**12. Other financial assets**

	2015 \$'000	2014 \$'000
<b>Non-current other financial assets</b>		
Interest free advances to taxi operators	552	733
	<b>552</b>	<b>733</b>

Interest free advances to taxi operators:

Transport for NSW provides repayable interest-free advances to assist taxi operators (in rural and regional NSW) to make their taxis wheel-chair accessible. Transport for NSW holds bills of sale as security for these advances and has recorded its financial interests in the vehicles in the Register of Encumbered vehicles.

Refer to note 27 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

**Transport for NSW**  
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**13. Property, plant and equipment**

	Land and buildings			Infrastructure systems			Plant and equipment			Total property, plant and equipment		
	Land and buildings	Assets under construction	Total	Infrastructure systems	Assets under construction	Total	Plant and equipment	Finance leased buses	Rolling stock		Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2015</b>												
At cost	-	18,048	18,048	-	592,046	592,046	-	1,249,579	-	-	1,249,579	1,859,673
At fair value	327,336	262,392	589,728	2,396,164	-	2,396,164	158,951	-	34,812	-	193,763	3,179,655
Accumulated depreciation and impairment	(15,855)	-	(15,855)	(535,132)	-	(535,132)	(23,139)	(219,690)	(1,509)	-	(244,338)	(795,325)
<b>Net carrying amount</b>	<b>311,481</b>	<b>280,440</b>	<b>591,921</b>	<b>1,861,032</b>	<b>592,046</b>	<b>2,453,078</b>	<b>135,812</b>	<b>1,029,889</b>	<b>33,303</b>	<b>-</b>	<b>1,199,004</b>	<b>4,244,003</b>
<b>At 30 June 2014</b>												
At cost	-	232,906	232,906	-	246,059	246,059	-	1,164,250	-	-	1,164,250	1,643,215
At fair value	283,263	95,559	378,822	2,350,046	-	2,350,046	110,159	-	35,062	-	145,221	2,874,089
Accumulated depreciation and impairment	(10,254)	-	(10,254)	(485,471)	-	(485,471)	(11,007)	(149,606)	(477)	-	(161,090)	(656,815)
<b>Net carrying amount</b>	<b>273,009</b>	<b>328,465</b>	<b>601,474</b>	<b>1,864,575</b>	<b>246,059</b>	<b>2,110,634</b>	<b>99,152</b>	<b>1,014,644</b>	<b>34,585</b>	<b>-</b>	<b>1,148,381</b>	<b>3,860,489</b>

**Transport for NSW**  
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**13. Property, plant and equipment (cont'd)**

**Reconciliation**

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

	Land and Buildings			Infrastructure Systems			Plant and equipment			Total property, plant and equipment		
	Land and buildings	Assets under construction		Infrastructure systems	Assets under construction		Plant and equipment	Finance leased buses	Rolling stock		Assets under construction	
		\$'000	\$'000		Total	\$'000					\$'000	Total
<b>Year ended 30 June 2015</b>												
Net carrying amount at start of year	273,009	328,465	601,474	1,864,575	246,059	2,110,634	99,152	1,014,644	34,585	-	1,148,381	3,860,489
Acquisition through administrative restructure (note 28)	3,202	-	3,202	-	-	-	800	-	-	-	800	4,002
Additions	4,604	1,593	6,197	27,025	2,305,574	2,332,599	28	85,149	-	-	85,177	2,423,973
Increase/(decrease) net assets from equity transfers (note 25)	-	47,638	47,638	-	-	-	-	-	-	-	-	47,638
Transfer of assets under construction to local councils	-	-	-	-	(3,766)	(3,766)	-	-	-	-	-	(3,766)
Transfers (to)/from other transport entities	-	-	-	-	(1,895,122)	(1,895,122)	-	-	-	-	-	(1,895,122)
Reclassification from intangibles	-	-	-	-	-	-	51,945	-	-	-	51,945	51,945
Transfers from assets under construction	-	-	-	60,699	(60,699)	-	-	-	-	-	-	-
Net revaluation increments less revaluation decrements	38,130	(97,256)	(59,126)	-	-	-	-	-	-	-	-	(59,126)
Disposals	-	-	-	-	-	-	(787)	-	(250)	-	(1,037)	(1,037)
Depreciation expense (note 2 (d))	(7,464)	-	(7,464)	(91,267)	-	(91,267)	(15,326)	(69,904)	(1,032)	-	(86,262)	(184,993)
<b>Net carrying amount at end of year</b>	<b>311,481</b>	<b>280,440</b>	<b>591,921</b>	<b>1,861,032</b>	<b>592,046</b>	<b>2,453,078</b>	<b>135,812</b>	<b>1,029,889</b>	<b>33,303</b>	<b>-</b>	<b>1,199,004</b>	<b>4,244,003</b>

TfNSW has entered into a PPP with Northwest Rapid Transit for the construction of the North West Rail Link (NWRL). The ECRL improvement assets are brought to account as the cost are incurred under the PFP in line with NSW Treasury Policy TPP06-8. The NWRL project includes improvement to the Epping to Chatswood Rail Link (ECRL), extending from Chatswood to the north west suburbs of Sydney. The ECRL is a new component of NWRL assets. The PPP will operate until 2034.

**Transport for NSW**  
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**13. Property, plant and equipment (cont'd)**

**Reconciliation**

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

	Land and buildings			Infrastructure systems			Plant and equipment			Total property, plant and equipment		
	Land and buildings	Assets under construction		Infrastructure systems	Assets under construction		Plant and equipment	Finance leased buses	Rolling stock		Assets under construction	
		\$'000	\$'000		Total	\$'000		Total	\$'000		\$'000	\$'000
<b>Year ended 30 June 2014</b>												
Net carrying amount at start of year	277,260	330,510	607,770	1,515,841	188,629	1,704,470	18,488	991,696	-	-	1,010,184	3,322,424
Acquisition through administrative restructure (note 28)	-	-	-	74,189	-	74,189	-	-	6,430	-	6,430	80,619
Additions	-	15,817	15,817	108,658	2,088,238	2,196,896	311	83,681	-	-	83,992	2,296,705
Transfers to other transport entities (note 25)	-	-	-	-	(1,881,290)	(1,881,290)	-	-	-	-	-	(1,881,290)
Reclassification from other asset	-	-	-	43,961	-	43,961	-	-	-	-	-	43,961
Transfers from intangibles	-	-	-	-	-	-	86,768	-	-	-	86,768	86,768
Transfers from assets under construction	300	(300)	-	120,886	(149,518)	(28,632)	-	-	28,632	-	28,632	-
Net revaluation increments less revaluation decrements	-	-	-	92,609	-	92,609	-	-	-	-	-	92,609
Assets transferred to/from non-current assets held for sale	-	(17,562)	(17,562)	-	-	-	-	-	-	-	-	(17,562)
Disposals	(42)	-	(42)	-	-	-	-	-	-	-	-	(42)
Depreciation expense (note 2 (d))	(4,509)	-	(4,509)	(91,569)	-	(91,569)	(6,415)	(60,733)	(477)	-	(67,625)	(163,703)
<b>Net carrying amount at end of year</b>	<b>273,009</b>	<b>328,465</b>	<b>601,474</b>	<b>1,864,575</b>	<b>246,059</b>	<b>2,110,634</b>	<b>99,152</b>	<b>1,014,644</b>	<b>34,585</b>	<b>-</b>	<b>1,148,381</b>	<b>3,860,489</b>

**Transport for NSW**  
**Notes to the financial statements**

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**14. Intangibles**

	2015 \$'000	2014 \$'000
<b>Information technology systems</b>		
At cost (gross carrying amount)	737,979	433,129
Accumulated amortisation and impairment	(17,810)	(10,191)
	<b>720,169</b>	<b>422,938</b>
<b>Reconciliation</b>		
Net carrying amount at beginning of year	422,938	268,822
Additions	356,857	246,636
Disposal	(726)	-
Reclassifications to property, plant & equipment	(51,945)	(86,768)
Acquisition through administrative restructure	681	-
Amortisation expense (note 2 (d))	(7,636)	(5,752)
<b>Net carrying amount at end of year</b>	<b>720,169</b>	<b>422,938</b>

**15. Other assets**

	2015 \$'000	2014 \$'000
<b>Non-current other assets</b>		
Emerging interest in Ultimo Pyrmont Light Rail		
Balance at 1 July	-	40,454
Emerging interest (note 3(i))	-	3,507
Transferred to PPE (note 13)	-	(43,961)
Right to receive - inventory	119	-
	<b>119</b>	<b>-</b>

**Transport for NSW**  
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**16. Fair value measurement of non-financial assets**

**(a) Fair value hierarchy**

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2015.

<b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Property, plant and equipment (Note 13)</b>				
Land and buildings				
- Land and building	-	-	306,176	306,176
- Asset under construction	-	-	262,392	262,392
Plant and equipment				
- Furniture and equipment	-	-	289	289
- Rolling stock	-	-	33,303	33,303
Infrastructure systems	-	-	1,861,032	1,861,032
<b>Non-current assets held for sale (Note 11)</b>	-	-	16,093	16,093
	-	-	<b>2,479,285</b>	<b>2,479,285</b>

\* The above property, plant and equipment exclude assets measured at depreciated replacement cost as a surrogate for fair value.

<b>2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Property, plant and equipment (Note 13)</b>				
Land and buildings				
- Land and building	-	-	270,068	270,068
- Asset under construction	-	-	95,559	95,559
Plant and equipment				
- Furniture and equipment	-	-	424	424
- Rolling stock	-	-	34,585	34,585
Infrastructure systems	-	-	1,864,575	1,864,575
<b>Non-current assets held for sale (Note 11)</b>	-	-	17,193	17,193
	-	-	<b>2,282,404</b>	<b>2,282,404</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2015

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

#### (b) Valuation techniques and input

Transport for NSW obtains independent valuations for its land and buildings assets at least every 3 years and for its other non financial assets at least every 5 years.

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

- current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences
- depreciated replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits
- construction costs incurred by the entity
- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions
- discounted cash flow projections based on estimates of future cash flows

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

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



## Transport for NSW Notes to the financial statements

for the year ended 30 June 2015

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

#### (c) Valuation processes

Transport for NSW engages external professionally qualified valuers to determine the fair value of the entity's non financial assets. As at 30 June 2015, the fair value of land and buildings (including land and building under construction) were determined by Preston Rowe Paterson NSW Pty Ltd, country rail infrastructure assets indices were reviewed by Aquenta Consulting, and the fair value of other non financial assets were not required to be revalued. Changes in the valuation are analysed at each reporting date during the discussion between management and the valuer. The majority of plant and equipment are measured using depreciated historical cost as an approximation of fair value and do not require fair value hierarchy disclosure.

The main level 3 inputs used are as follows:

- **Land and building** - acquisition cost, sale prices for comparable properties, land size are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each property, adjusted for the specific attributes of the property being revalued, such as location, land use and landing values applying in the locality. Construction costs incurred are determined by management in accordance with applicable Australian Accounting Standards.
- **Plant and equipment** – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.
- **Light rail infrastructure and rolling stocks** – replacement costs for the Pymont Light Rail network assets, construction project costs for the Inner West Light Rail extension network assets, length of the tracks, overhead power and stabling yards, number of stops/stations, economic working lives of the assets, expired and remaining economic life, depreciation methods, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Country rail infrastructure assets** - replacement cost for modern equivalent assets, unit of measure for each asset, appropriate indexation factors, expected useful life and remaining life of the assets are estimated by the external valuer and/or management based on recently completed transactions, projects, and current market rates where available, with allowances for demolition of the existing property, contractor's off-site overheads and margin, and the location factor.
- **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.

There were no transfers between level 1, 2 and 3 for recurring and non-recurring fair value measurements during the year.

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

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

**Transport for NSW**  
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**16. Fair value measurement of non-financial assets (cont'd)**

**(d) Valuation input and relationships to fair value (cont'd)**

Description	Valuation Technique	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship between unobservable inputs and fair value measurement
Land	Direct comparison approach: this valuation method involves comparing the subject property to comparable sale prices in similar location on a rate per square metre basis, adjusted for differences in key attributes of the land such as size, location and land use.	Rate per square metre	\$0.35 - \$19,805  (2014: \$0.0048 - \$350.00)	The higher the rate, the higher the fair value.
Building-Country Regional Network	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis, taking in account the allowance for preliminaries and contractor's offsite overheads and profits; depreciated to reflect the building's remaining useful life.	Useful life	25-80 years  (2014: 25-80 years)	The longer the useful life, the higher the fair value.
		Allowance for preliminaries	10% - 20%  (2014: 10%-20%)	The higher the percentage, the higher the fair value.
		Allowance for offsite overheads and profit	5%  (2014: 5%)	The higher the percentage, the higher the fair value.
		Replacement cost rate per square metre	\$1,018 - \$6,678  (2014: \$970 - \$6,360)	The higher the rate, the higher the fair value.
Building-Commercial	Income approach: this approach considers current passing annual rental per square	Net sustainable income rate per square meter	\$361	The higher the rate, the higher the fair value.

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**Notes to the financial statements**

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

**(d) Valuation input and relationships to fair value (cont'd)**

Description	Valuation Technique	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship between unobservable inputs and fair value measurement
	meter, deducting outgoings to establish a fully let net income for the property; then calculate the capitalised value in perpetuity using derived market rate to arrive at the fair value.	Discount rate	5.5%	The higher the rate, the lower the fair value.
Leasehold Improvement Make Good	Depreciated replacement cost and discounted cash flow approaches: this valuation method involves estimating of the restoration costs on the leased property on the rate per square metre basis, adjusted for inflation, discounted and depreciated to reflect the remaining lease period.	Discount rate	1.93% -3.135% (2014: 2.440% - 3.905%)	The higher the rate, the lower the fair value.
		Restoration rate per square metre	\$200 (2014: \$200)	The higher the rate, the higher the fair value.
		Inflation rate	1.3% (2014: 2.9%)	The higher the rate, the higher the fair value.
Plant and Equipment	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each asset class, depreciated to reflect the asset's remaining useful life.	Useful life	30 years	The longer the useful life, the higher the fair value.
		Replacement cost	\$898,626  (2014: \$1.243 million)	The higher the cost, the higher the fair value.
Country Rail Infrastructure	Depreciated replacement cost approach: this valuation method	Useful life	20-100 years (2014: 20-100 years)	The longer the useful life, the higher the fair value.

**Transport for NSW**  
**Notes to the financial statements**

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

**(d) Valuation input and relationships to fair value (cont'd)**

Description	Valuation Technique	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship between unobservable inputs and fair value measurement
	involves establishing the current replacement cost of the modern equivalent asset for each asset class, adjusted for overdesign, overcapacity and redundant components; depreciated to reflect the asset's remaining useful life. The replacement costs are reviewed and adjusted regularly.	Indexation factor	1.79% - 2.89%  (2014: 1.79% - 2.89%)	The higher the indexation factor, the higher the fair value.
		Allowance for design, preliminaries, test and commissioning	10% - 30%  (2014: 10% - 30%)	The higher the percentage, the higher the fair value
		Allowance for offsite overheads and margin	12% - 22.5%  (2014: 12% - 22.5%)	The higher the percentage, the higher the fair value.
		Total replacement cost	\$4,816.1 million  (2014: \$4,797.0 million)	The higher the cost, the higher the fair value.
Light Rail Infrastructure	Depreciated replacement cost approach: this valuation method involves establishing the gross current replacement cost of the assets, depreciating them to reflect their anticipated effective working lives, taking into account their estimated residual values, all relevant forms of obsolescence and residual value.	Effective life	70 years  (2014: 70 years)	The longer the effective life, the higher the fair value.
		Residual value percentage	0% - 5%  (2014: 0% - 5%)	The higher residual value, the higher the fair value.
		Average inflation rate to derive indexed historical costs	3.5%  (2014: 3.5%)	The higher the inflation rate, the higher the fair value
		Total replacement cost for the Pymont Light Rail Infrastructure System	\$210.2 million  (2014: \$210.2 million)	The higher the cost, the higher the fair value.

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2015

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

**(d) Valuation input and relationships to fair value (cont'd)**

Description	Valuation Technique	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship between unobservable inputs and fair value measurement
		Total project cost for the Inner West Extension Rail Infrastructure System	\$187.7 million (2014:\$187.7 million)	The higher the cost, the higher the fair value.
Rolling Stock	Depreciated replacement cost approach: this valuation method involves establishing the gross current replacement cost of the assets, depreciating them to reflect their anticipated effective working lives, taking into account their estimated residual values, all relevant forms of obsolescence and residual value.	Effective life	30 years (2014: 30 years)	The longer the effective life, the higher the fair value.
		Residual value percentage	0% - 5% (2014: 0% - 5%)	The higher residual value, the higher the fair value.
		Average inflation rate	3.5% (2014: 3.5%)	The higher the inflation rate, the higher the fair value.
		Total replacement cost for the Pymont Light Rail network rolling stock	\$14.3 million (2014: \$14.6 million)	The higher the cost, the higher the fair value.
		Total project cost for the Inner West Extension network rolling stock	\$28.6 million (2014: \$28.6 million)	The higher the cost, the higher the fair value.
Non-current Asset held for sale	Direct comparison and direct capitalisation approaches: these valuation methods involve comparing the subject asset to comparable sales in	Rate per square metre of the gross floor area	\$475 - \$2,990 (2014: \$475)	The higher the rate, the higher the fair value.
		Market value per block of gaming machine entitlements	\$180,000 (2014: \$180,000)	The higher the market value, the higher the fair value.

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2015

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

**(d) Valuation input and relationships to fair value (cont'd)**

Description	Valuation Technique	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship between unobservable inputs and fair value measurement
	similar and surrounding locations on a rate per square metre of the gross floor area, and current market trading value on a price per gaming entitlements and permits basis, adjusted for key attributes such as location, size, demand, sales condition and market condition.	Market value per poker machine permits	\$130,000 (2014: \$130,000)	The higher the market value, the higher the fair value.
		Valuation decline factor	5% (2014: 5%)	The higher the factor, the lower the fair value.
		Sales cost per property	\$30,000 - \$590,000 (2014: \$30,000 - \$590,000)	The higher the cost, the lower the fair value.

There were no significant inter-relations between unobservable inputs that would materially affect the overall valuation.

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2015

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

**(e) Reconciliation of level 3 fair value measurement**

	Land and building \$'000	Land and Building AUC \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
Fair value as at 1 July 2014	270,068	95,559	35,009	1,864,575	2,265,211
Additions	4,604	47,638	-	87,724	139,966
Revaluation increments/decrements recognised in Net result - included in the line item 'Other gains / (losses)'	-	(59,126)	-	-	(59,126)
Revaluation increments / decrements recognised in other comprehensive income - included in line item 'Net increase / (decrease) in property, plant and equipment revaluation suplus'	38,130	(38,130)	-	-	-
Disposals	-	-	(250)	-	(250)
Depreciation	(6,626)	-	(1,167)	(91,267)	(99,060)
Reclass from cost to fair value	-	216,451	-	-	216,451
<b>Fair value as at 30 June 2015</b>	<b>306,176</b>	<b>262,392</b>	<b>33,592</b>	<b>1,861,032</b>	<b>2,463,192</b>

	Land and building \$'000	Land and Building AUC \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
Fair value as at 1 July 2013	273,864	113,121	393	1,515,841	1,903,219
Additions	-	-	35,290	347,694	382,984
Revaluation increments/decrements recognised in Net result - included in the line item 'Other gains / (losses)'	-	-	-	-	-
Revaluation increments/ decrements recognised in other comprehensive income	-	-	-	92,609	92,609
Disposals	(41)	-	-	-	(41)
Transfers to non-current assets held for sale	-	(17,562)	-	-	(17,562)
Depreciation	(3,755)	-	(674)	(91,569)	(95,998)
<b>Fair value as at 30 June 2014</b>	<b>270,068</b>	<b>95,559</b>	<b>35,009</b>	<b>1,864,575</b>	<b>2,265,211</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**17. Payables**

	2015 \$'000	2014 \$'000
<b>Current payables</b>		
Trade creditors	71,393	90,392
Accrued expenses	688,005	848,604
Other creditors	458	107
	<b>759,856</b>	<b>939,103</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in note 27.

**18. Borrowings**

	2015 \$'000	2014 \$'000
<b>Current borrowings</b>		
TCorp borrowings	68,499	116,300
Finance leases	78,094	69,592
	<b>146,593</b>	<b>185,892</b>
<b>Non-current borrowings</b>		
TCorp borrowings	351,037	328,486
Finance leases	951,795	945,053
	<b>1,302,832</b>	<b>1,273,539</b>
<b>Repayment of borrowings</b>		
Not later than one year	146,593	185,892
Between one and five years	580,032	472,132
Later than five years	722,800	801,407
	<b>1,449,425</b>	<b>1,459,431</b>



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**19. Provisions**

	2015 \$'000	2014 \$'000
<b>Current provisions</b>		
Legal claims	-	714
Lease make good costs	71	-
	<b>71</b>	<b>714</b>
<b>Non-current provisions</b>		
Lease make good costs	9,687	5,233
	<b>9,687</b>	<b>5,233</b>

**Movements in provisions**

	Legal claims \$'000	Lease make good costs \$'000	Total \$'000
Net carrying amount at beginning of the year	714	5,233	<b>5,947</b>
Payment of claims	-	-	-
Increase in provisions	-	4,525	<b>4,525</b>
Unused amounts reversed	(714)	-	<b>(714)</b>
Unwinding of discount or change in discount rate	-	-	-
<b>Net carrying amount at end of the year</b>	<b>-</b>	<b>9,758</b>	<b>9,758</b>

**20. Other liabilities**

	2015 \$'000	2014 \$'000
<b>Current other liabilities</b>		
Opal card holding accounts	135,108	31,381
Income received in advance	6,446	-
Liabilities to Consolidated Fund (note 3(b))	-	5,155
	<b>141,554</b>	<b>36,536</b>
<b>Non-current other liabilities</b>		
Contribution from Council for light rail	19,600	-
Epping to Chatswood Rail Link improvements liabilities	18,941	-
Security deposit	45	45
	<b>38,586</b>	<b>45</b>

**21. Financial liabilities at fair value**

	2015 \$'000	2014 \$'000
<b>Current financial liabilities at fair value</b>		
Derivatives	2,607	2,831
	<b>2,607</b>	<b>2,831</b>
<b>Non-current financial liabilities at fair value</b>		
Derivatives	74	55
	<b>74</b>	<b>55</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

	2015 \$'000	2014 \$'000
Net cash inflow from operating activities	2,750,279	2,763,156
Non-cash revenue and losses	(1,959,909)	(1,879,571)
Depreciation / amortisation	(192,629)	(169,455)
(Decrease) in receivables	(12,654)	(226,054)
Decrease / (Increase) in payables	(120,973)	(229,733)
<b>Net result</b>	<b>464,114</b>	<b>258,343</b>

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

	2015 \$'000	2014 \$'000
<b>Non-cash financing activities</b>		
Financial lease liabilities in respect of acquisition of plant and equipment	85,149	83,681
	<b>85,149</b>	<b>83,681</b>
<b>Non-cash investing activities</b>		
Plant and equipment acquired by finance lease	85,149	83,681
Value of emerging interest in Ultimo Pyrmont Light Rail	-	3,507
Recognition of ECRL improvements liabilities	18,941	-
Transfer from equity transfers (note 25)	163,938	-
Transfer from administrative restructure (note 28)	4,605	81,865
	<b>272,633</b>	<b>169,053</b>

**Transport for NSW**  
**Notes to the financial statements**  
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**24. Commitments for expenditure**

	2015 \$'000	2014 \$'000
<b>(a) Capital commitments</b>		
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:		
Not later than one year	1,301,189	980,953
Later than one year and not later than five years	106,411	62,281
<b>Total including GST</b>	<b>1,407,600</b>	<b>1,043,234</b>
<b>(b) Operating lease commitments</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	59,646	30,909
Later than one year and not later than five years	125,809	46,892
Later than five years	7,513	7,688
<b>Total (including GST)</b>	<b>192,969</b>	<b>85,489</b>
Operating leases include office accommodation and plant and equipment.		
<b>(c) Finance lease commitments</b>		
Minimum lease payment commitments in relation to finance leases payable as follows:		
Not later than one year	142,823	134,360
Later than one year and not later than five years	571,293	537,437
Later than five years	694,877	746,239
Minimum lease payments	1,408,993	1,418,036
Less: future finance charges	(379,104)	(403,391)
<b>Present value of minimum lease payments</b>	<b>1,029,889</b>	<b>1,014,645</b>
The present value of finance lease commitments is as follows:		
<b>Finance leased buses</b>		
Not later than one year	78,094	69,592
Later than one year and not later than five years	369,758	329,862
Later than five years	582,037	615,191
	<b>1,029,889</b>	<b>1,014,645</b>
Finance lease commitments are classified as:		
Current borrowings (Note 18)	78,094	69,592
Non-current borrowings (Note 18)	951,795	945,053
	<b>1,029,889</b>	<b>1,014,645</b>

Input tax on all commitments estimated at \$145.5 million (2014: \$102.6 million) will be recouped from the Australian Taxation Office.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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**25. Equity transfers**

	2015 \$'000	2014 \$'000
Land transferred from Department of Planning and Infrastructure	47,638	-
Transfer borrowings to the Crown Finance Entity	116,300	-
	<b>163,938</b>	<b>-</b>

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**26. Contingent liabilities and contingent assets**

In the ordinary course of business, contract disputes have been notified to and by Transport for NSW in relation to its construction activities. As the outcomes of these disputes remain uncertain, it is not practicable to estimate any potential financial effect from these disputes.

There are a number of property acquisitions and contract claims subject to litigation which management have assessed as totalling up to \$20.8 million.

Apart from the compulsory property acquisition and contract disputes mentioned above, Transport for NSW does not have any other contingent liability or contingent assets that would significantly impact on the state of affairs of Transport for NSW or have a material effect on these financial statements.

TfNSW provided a letter of comfort to Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability during 2015-16 financial year. TfNSW 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 Notes to the financial statements

for the year ended 30 June 2015

### 27. Financial instruments

Transport for NSW's principal financial instruments are outlined below. These financial instruments are required to finance Transport for NSW's operations.

Transport for NSW does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of Transport for NSW expose it to a variety of financial risks: credit risk, liquidity risk and market risk including interest rate risk. The main risks arising from these financial instruments are outlined below together with Transport for NSW's objectives, policies and processes for measuring and managing risk.

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

The Secretary has overall responsibility for the establishment and oversight of risk management and review, and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is subject to review by the internal audit.

#### (a) Financial instrument categories

<b>Financial Assets</b>	<b>Category</b>	<b>2015</b>	<b>2014</b>
Class:		<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents (note 7)	N/A	688,251	762,895
Receivables <sup>1</sup> (note 8)	Loans and receivables (at amortised cost)	116,690	125,422
Other financial assets (note 12)	Loans and receivables (at amortised cost)	552	733
Derivative financial instruments (note 10)	Derivatives designated as hedging instruments (at fair value)	75	155
		<b>805,568</b>	<b>889,205</b>
<b>Financial Liabilities</b>	<b>Category</b>	<b>2015</b>	<b>2014</b>
Class:		<b>\$'000</b>	<b>\$'000</b>
Payables <sup>2</sup> (note 17)	Financial liabilities measured at amortised cost	759,856	939,103
Borrowings (note 18)	Financial liabilities measured at amortised cost	1,449,425	1,459,431
Derivative financial instruments (note 21)	Derivatives designated as hedging instruments (at fair value)	2,681	2,886
		<b>2,211,962</b>	<b>2,401,420</b>

During the year ended 30 June 2015, there were no defaults on any loans payable (2014: nil).

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

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

#### (b) Derivatives

Transport for NSW only uses derivatives for hedging purposes and not as trading or speculative instruments. Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

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

All forward currency contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 139 Financial Instruments. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

Transport for NSW held \$0.1 million (2014: \$0.2 million) in derivative financial assets and \$2.7 million (2014: \$2.9 million) in derivative financial liabilities.

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

	Weighted average contract rate	Contract Value \$'000	Expected cash flow			Total \$'000
			No Later than 3 months \$'000	Later than 3 months and no later than 12 months \$'000	Later than 12 months \$'000	
<b>2015</b>						
<b>Foreign exchange contracts</b>						
Denominated in US Dollars	-	-	-	-	-	-
Denominated in Euros	0.6868	29,545	27,002	618	1,925	29,545
		<b>29,545</b>	<b>27,002</b>	<b>618</b>	<b>1,925</b>	<b>29,545</b>
<b>2014</b>						
<b>Foreign exchange contracts</b>						
Denominated in US Dollars	0.9420	2,979	2,979	-	-	2,979
Denominated in Euros	0.6847	34,513	30,491	2,474	1,548	34,513
		<b>37,492</b>	<b>33,470</b>	<b>2,474</b>	<b>1,548</b>	<b>37,492</b>

Information about the exposure is provided: credit risk in note 27(c), foreign exchange risk in note 27(e), the methods and assumptions used in determining fair values of derivatives in note 27(f).

**(c) Credit risk**

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

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

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

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

Credit risk policy is aimed at minimising the potential for counter party default.

Credit risk associated with Transport for NSW's financial assets other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. All debt management and investment activities are undertaken with TCorp, which is guaranteed by the NSW Government.

Credit risk impacts on the following financial instruments which are discussed below:

**Cash**

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

**Derivatives**

All derivatives are entered into with bank and financial institutions counterparties, which are rated A or greater, based on a Standard & Poor's long term credit rating.

**Receivables - trade debtors**

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

Transport for NSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Debtors of nil million (2014: \$0.9 million) is considered impaired of debtors of \$45.5 million (2014: \$58.3 million) past due as at 30 June 2015.

The only financial assets that are past due are "Sale of goods and services" in the "Receivables" category of the statement of financial position.

	Past due but not impaired \$'000	Considered impaired \$'000	Total \$'000
<b>2015</b>			
< 3 months overdue	44,012	-	44,012
3 months - 6 months overdue	454	-	454
> 6 months overdue	981	7	988
	<b>45,447</b>	<b>7</b>	<b>45,454</b>
<b>2014</b>			
< 3 months overdue	47,561	-	47,561
3 months - 6 months overdue	617	-	617
> 6 months overdue	9,299	886	10,185
	<b>57,477</b>	<b>886</b>	<b>58,363</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

**(d) Liquidity risk**

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

Transport for NSW has access to credit facilities with TCorp of \$467.0 million (2014: \$467.0 million) of which \$419.5 million (2014: \$444.8 million) had been used at reporting date.

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

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

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

	Weighted average effective interest rate	Nominal Amount \$'000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- interest bearing \$'000	< 1 year \$'000	1 -5 years \$'000	> 5 years \$'000
<b>2015</b>								
<b>Payables:</b>								
Trade creditors	-	71,393	-	-	71,393	71,393	-	-
Accrued expenses	-	688,005	-	-	688,005	688,005	-	-
Other current payables	-	458	-	-	458	458	-	-
<b>Borrowings:</b>								
Tcorp borrowings - long term	4.13%	419,536	419,536	-	-	68,499	210,274	140,763
Finance leases	-	1,029,889	1,029,889	-	-	78,094	369,758	582,037
		<b>2,209,281</b>	<b>1,449,425</b>	<b>-</b>	<b>759,856</b>	<b>906,449</b>	<b>580,032</b>	<b>722,800</b>



**Transport for NSW**  
**Notes to the financial statements**  
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**27. Financial instruments (cont'd)**

(d) Liquidity risk (cont'd)

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

	Weighted average effective interest rate	Nominal Amount \$'000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- interest bearing \$'000	< 1 year \$'000	1 -5 years \$'000	> 5 years \$'000
<b>2014</b>								
<b>Payables:</b>								
Trade creditors	-	90,392	-	-	90,392	90,392	-	-
Accrued expenses	-	848,604	-	-	848,604	848,604	-	-
Other current payables	-	107	-	-	107	107	-	-
<b>Borrowings:</b>								
Come and Go facility - Litigation	2.78%	33,150	-	33,150	-	33,150	-	-
Come and Go facility - Other	2.78%	6,150	-	6,150	-	6,150	-	-
Tcorp borrowings - short term	2.49%	77,000	-	77,000	-	77,000	-	-
Tcorp borrowings - long term	4.45%	435,956	435,956	-	-	-	167,428	268,528
Finance leases	-	1,014,645	1,014,645	-	-	69,592	329,862	615,191
		<b>2,506,004</b>	<b>1,450,601</b>	<b>116,300</b>	<b>939,103</b>	<b>1,124,995</b>	<b>497,290</b>	<b>883,719</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2015

### 27. 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. Transport for NSW's exposure to market risk is primarily through interest rate risk on Transport for NSW's borrowings, foreign exchange risks associated with overseas purchase commitments and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Investment Facility.

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

Transport for NSW does not enter into commodity contracts.

#### Interest rate risk

Exposure to interest rate risk arises primarily through Transport for NSW's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily TCorp.

Transport for NSW's exposure to interest rate risk is set out in the table below:

	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	688,251	(6,883)	(6,883)	6,883	6,883
Receivables	116,690	-	-	-	-
Financial assets at fair value	75	-	-	-	-
Other financial assets	552	-	-	-	-
<b>Financial liabilities</b>					
Payables	759,856	-	-	-	-
Financial liabilities at fair value	2,681	-	-	-	-
Borrowings	1,449,425	-	-	-	-
<b>2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	762,895	(7,629)	(7,629)	7,629	7,629
Receivables	125,422	-	-	-	-
Financial assets at fair value	155	-	-	-	-
Other financial assets	733	-	-	-	-
<b>Financial liabilities</b>					
Payables	939,103	-	-	-	-
Financial liabilities at fair value	2,886	-	-	-	-
Borrowings	1,459,431	-	-	-	-

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

**(e) Market risk (cont'd)**

**Foreign exchange risk**

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Transport for NSW manages its foreign exchange risk by entering into forward exchange contracts in accordance with the Transport for NSW risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily dominated in Euros and US dollars, have been fully hedged using forward contracts that mature on the same dates as the forecast purchase are due for payment. These contracts are designated as cash flow hedges.

Transport for NSW's exposure to foreign exchange risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedge.

A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against other currencies. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

	Contract value \$'000	10%		-10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>2015</b>					
US Dollars	-	-	-	-	-
Euros	29,545	-	2,955	-	(2,955)
<b>2014</b>					
US Dollars	2,979	-	298	-	(298)
Euros	34,513	-	3,451	-	(3,451)

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

### **(e) Market risk (cont'd)**

#### **Other price risk – TCorp Hour-Glass facilities**

Exposure to other price risk primarily arises through the investment in the TCorp Hour-Glass Cash Facility, which is held for up to 1.5 years.

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

TCorp is 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 and Strategic Cash Facilities and also manages the Australian Bond portfolio. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorp Hour-Glass facility 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. TCorp's Hour-Glass Investment facilities are designed at fair value through profit or loss and, therefore, any change in unit price impacts directly on the 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 for each facility.

Given that the TCorp Hour-Glass Cash Facility is held for a short period of time, the impact on any price changes on the net result would be immaterial.

### **(f) Fair value compared to carrying amount**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities and derivatives, which are measured at fair value.

The fair values of financial instrument assets and liabilities are determined as follow:

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

The amortised cost of all other financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments, with the exception of TCorp borrowings.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

**(f) Fair value compared to carrying amount (cont'd)**

The following table details the financial instruments where the fair value differs from the carrying amount:

	<b>2015</b>	<b>2015</b>	<b>Fair</b>	<b>2014</b>	<b>2014</b>
	<b>Carrying</b>	<b>Fair</b>	<b>value</b>	<b>Carrying</b>	<b>Fair</b>
	<b>amount</b>	<b>value</b>	<b>level</b>	<b>amount</b>	<b>value</b>
	<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>Financial Liabilities</b>					
Borrowings	419,536	443,864	2	444,786	461,241
	<b>419,536</b>	<b>443,864</b>		<b>444,786</b>	<b>461,241</b>

**(g) Fair value recognised in the statement of financial position**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2015</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	75	-	75
	-	<b>75</b>	-	<b>75</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	2,681	-	2,681
	-	<b>2,681</b>	-	<b>2,681</b>
<b>2014</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	155	-	155
Tcorp Hour-Glass Investment Facility	-	48,571	-	48,571
	-	<b>48,726</b>	-	<b>48,726</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	2,886	-	2,886
	-	<b>2,886</b>	-	<b>2,886</b>

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

**(g) Fair value recognised in the statement of financial position (cont'd)**

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

Level 1 - Derived from quoted prices in active markets for identical assets / liabilities.

Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 - Derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs).

Transport for NSW has assessed the fair value of its financial instruments on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

The fair value of the TCorp Hour-Glass Investments is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

There were no transfers between Level 1, 2 or 3 during the year.

There were no changes in the valuation techniques during the year.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**28. Administrative restructure**

Net assets and liabilities transferred to Transport for NSW were as follows:

	<b>PBLIS<sup>1</sup></b>	<b>RailCorp</b>	<b>Total</b>	<b>MTS<sup>2</sup></b>	<b>Total</b>
	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	-	-	-	737	737
Receivables	-	-	-	893	893
	-	-	-	<b>1,630</b>	<b>1,630</b>
<b>Non-current assets</b>					
Property, plant and equipment					
Land and buildings	-	3,202	3,202	-	-
Infrastructure systems	-	-	-	74,189	74,189
Rolling stock	-	-	-	6,430	6,430
Plant and equipment	442	358	800	-	-
Property, plant and equipment	<b>442</b>	<b>3,560</b>	<b>4,002</b>	<b>80,619</b>	<b>80,619</b>
Intangibles	681	-	681	-	-
Inventory	-	-	-	1,304	1,304
	<b>1,123</b>	<b>3,560</b>	<b>4,683</b>	<b>81,923</b>	<b>81,923</b>
<b>Total assets</b>	<b>1,123</b>	<b>3,560</b>	<b>4,683</b>	<b>83,553</b>	<b>83,553</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	78	-	78	1,260	1,260
Borrowings	-	-	-	428	428
	<b>78</b>	<b>-</b>	<b>78</b>	<b>1,688</b>	<b>1,688</b>
<b>Non-current liabilities</b>					
Borrowings	-	-	-	-	-
	-	-	-	-	-
<b>Total Liabilities</b>	<b>78</b>	<b>-</b>	<b>78</b>	<b>1,688</b>	<b>1,688</b>
<b>Net assets</b>	<b>1,045</b>	<b>3,560</b>	<b>4,605</b>	<b>81,865</b>	<b>81,865</b>

1. PBLIS refers to the Port Botany Landside Improvement Strategy function which was transferred to Transport for NSW from Sydney Ports Corporation.

2. MTS refers to MTS Holding Company Pty Ltd.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2015

### 29. Budget review

The budget for Transport for NSW is inclusive of Transport Service of NSW, Department of Transport and Transport for NSW. The budget amounts disclosed in the Statement of comprehensive income, Statement of financial position and Statement of cash flows are drawn from the original budget financial statements presented to Parliament in respect of the reporting period.

An explanation of significant variations between the actual and budget in the reporting period is provided below.

#### Net result

2015 \$m			Explanation
Actual	Budget	Variance	
Summary			
464.1	308.2	155.9	Improvement on the Budget. This was mainly due to lower than Budget expenditure, offset to some extent by lower than Budget revenue.
Significant variances by line item			
Personnel related expenses			
432.1	1,466.3	1,034.2	Below Budget mainly because the Budget also includes the salary related expenses incurred by the Transport Service for employees engaged in the operating entities across the Transport cluster.
Grants and subsidies			
9,026.4	10,765.6	1,739.2	Lower than Budget, but offset by an increase in 'other expenses' of \$1,288.2 million. The variations in 'grants and subsidies' and 'other expenses' are mainly due to the Budget for bus and ferry contract payments being included in 'grants and subsidies', while the actual expenditure is included in 'other expenses'.
Sale of goods and services			
80.7	1,286.2	(1,205.5)	Lower than Budget which reflects the arrangements for 'personnel related expenses' referred to above, with the Budget for 'sale of goods and services' including the recovery of the salary related expenses by the Transport Service from the operating entities in the Transport cluster. In addition, the actual results for 2014-15 include separate disclosure of 'shared and corporate services revenue' \$208.1 million; Which in the Budget is also part of 'sale of goods and services' revenue.

#### Assets and liabilities

2015 \$m			Explanation
Actual	Budget	Variance	
Summary – Net Assets			
3,507.1	3,220.5	286.6	This is primarily due to cash balances being \$229.1 million higher than Budget and a reduction in borrowings compared to Budget, with the Crown Entity assuming responsibility for \$116.3 million of TfNSW debt during 2014-15. Increased intangibles \$45.4 million and higher payables \$121.8 million as compared to Budget are also impacting the net asset position.
Significant variances by line item			
Current / non-current assets			
5,908.9	7,005.9	(1,097.0)	Reflects the arrangements for 'personnel related liabilities', with the Budget for 'receivables' including the recovery of the employee related liabilities by the Transport Service from the operating entities in the Transport cluster.
Current / non-current liabilities			
2,401.8	3,785.4	1,383.6	As per the above comments with respect to the arrangements with the Transport Service. Additionally borrowings reduced with \$116 million of TfNSW debt being assumed by the Crown Entity.



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**29. Budget review (cont'd)**

**Cash flows**

2015 \$m			Explanation
Actual	Budget	Variance	
Summary – closing cash			
688.3	459.1	229.2	The additional cash compared to the Budget mainly reflects an increase in the opening cash balance as compared to Budget, with the actual cash balance as at 1 July 2014 being \$258.9 million higher than the Budget estimate.
Significant variances by line item			
Operating activities			
2,750.3	2,670.9	79.4	In 'cash flows from operating activities', bus and ferry contract actual payments are disclosed separately, as compared to the Budget where those amounts are included in 'grants and subsidies' payments.
Investing activities			
(2,916.0)	(2,829.8)	(86.2)	Finance lease payments form part of investing activities, however budgeted as repayment of borrowings in financing activities.
Financing activities			
91.0	114.0	(23.0)	As per above with a reduction in borrowings in 2014-15 compared to budget.

**30. Administered assets and liabilities**

	2015 \$'000	2014 \$'000
<b>Administered Assets</b>		
Cash	1,096	635
	<b>1,096</b>	<b>635</b>
<b>Administered Liabilities</b>		
Other	1,096	635
	<b>1,096</b>	<b>635</b>

**31. After balance date events**

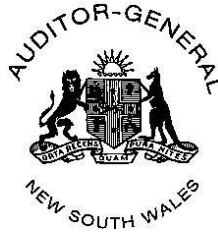
From 1 July 2015, RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE).

TAHE is a dedicated asset manager which will eventually hold all the public transport assets for the State, including the country rail infrastructure network and possibly ticketing assets currently held by TfNSW.

The transfer of the TfNSW assets to TAHE is at this stage expected to occur after 30 June 2016.

The commencement of TAHE also impacts the funding arrangements for rail capital projects commencing from 2015-16. Funding for rail projects will be provided directly to TAHE and not through the TfNSW capital allocation, thereby reducing TfNSW's capital allocation revenue and increasing sale of goods and services revenue in 2015-16 in comparison to 2014-15.

End of audited financial statements.



## INDEPENDENT AUDITOR'S REPORT

### Transport Service of New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Transport Service of New South Wales (the Service), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, 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.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Service as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

### Secretary's Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Service
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Peter Barnes  
Director, Financial Audit Services

30 September 2015  
SYDNEY



# Transport Service of New South Wales

Annual financial statements

*for the year ended 30 June 2015*

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**Transport Service of New South Wales**  
Statement by the Secretary  
for the year ended 30 June 2015

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Pursuant to sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I state that:

- (a) The accompanying financial statements have been prepared in accordance with:
  - Applicable Australian Accounting Standards (which including Australian Accounting Interpretations);
  - The requirements of the *Public Finance and Audit Act 1983* and Regulation: and
- (b) The statements exhibit a true and fair view of the financial position and financial performance of Transport Service of New South Wales: and
- (c) There are no known circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Tim Reardon  
**Secretary**

Date: 29 September 2015

**Transport Service of New South Wales**  
Statement of comprehensive income  
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>Expenses excluding losses</b>			
Employee related	2(a)	1,795,842	966,422
Other operating	2(b)	53	36,491
<b>Total expenses excluding losses</b>		<b>1,795,895</b>	<b>1,002,913</b>
<b>Revenue</b>			
Personnel services revenue	3(a)	1,765,015	1,066,677
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	37,532	33,518
Grants and contributions	3(c)	60	42
<b>Total revenue</b>		<b>1,802,607</b>	<b>1,100,237</b>
<b>Net result</b>		<b>6,712</b>	<b>97,324</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Remeasurement of Defined Benefits Superannuation	7	(6,712)	(133,773)
<b>Total other comprehensive income</b>		<b>(6,712)</b>	<b>(133,773)</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(36,449)</b>

The accompanying notes form part of these financial statements.

**Transport Service of New South Wales**  
Statement of financial position  
as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	16,911	40,526
Receivables	5	425,309	412,571
<b>Total current assets</b>		<b>442,220</b>	<b>453,097</b>
<b>Non current assets</b>			
Receivables	5	1,411,087	1,366,485
<b>Total non current assets</b>		<b>1,411,087</b>	<b>1,366,485</b>
<b>Total assets</b>		<b>1,853,307</b>	<b>1,819,582</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6	22,708	56,453
Provisions	7	419,512	396,644
<b>Total current liabilities</b>		<b>442,220</b>	<b>453,097</b>
<b>Non current liabilities</b>			
Provisions	7	1,411,087	1,366,485
<b>Total non current liabilities</b>		<b>1,411,087</b>	<b>1,366,485</b>
<b>Total liabilities</b>		<b>1,853,307</b>	<b>1,819,582</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
Accumulated funds		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.



**Transport Service of New South Wales**  
Statement of changes in equity  
for the year ended 30 June 2015

	Notes	Accumulated funds \$'000	Total \$'000
<b>Balance at 1 July 2014</b>		-	-
<b>Net result for the year</b>		<b>6,712</b>	<b>6,712</b>
<b>Other comprehensive income</b>			
Remeasurement of Defined Benefits Superannuation		(6,712)	(6,712)
<b>Total other comprehensive income</b>		<b>(6,712)</b>	<b>(6,712)</b>
<b>Total comprehensive income for the year</b>		-	-
<b>Transactions with owners in their capacity as owners</b>			
Equity transfers	11	-	-
<b>Balance at 30 June 2015</b>		-	-
<b>Balance at 1 July 2013</b>		-	-
<b>Net result for the year</b>		<b>97,324</b>	<b>97,324</b>
<b>Other comprehensive income</b>			
Remeasurement of Defined Benefits Superannuation		(133,773)	(133,773)
<b>Total comprehensive income for the year</b>		<b>(36,449)</b>	<b>(36,449)</b>
<b>Transactions with owners in their capacity as owners</b>			
Equity transfers	11	36,449	36,449
<b>Balance at 30 June 2014</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 2015

		2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		(1,731,428)	(862,475)
<b>Total payments</b>		<b>(1,731,428)</b>	<b>(862,475)</b>
<b>Receipts</b>			
Personnel services		1,707,813	902,525
<b>Total receipts</b>		<b>1,707,813</b>	<b>902,525</b>
<b>Net cash inflows / (outflows) from operating activities</b>	8	<b>(23,615)</b>	<b>40,050</b>
<b>Cash flows from investing activities</b>		-	-
<b>Net cash inflows / (outflows) from investing activities</b>		-	-
<b>Cash flows from financing activities</b>		-	-
<b>Net cash inflows / (outflows) from financing activities</b>		-	-
<b>Net increase / (decrease) in cash</b>		<b>(23,615)</b>	<b>40,050</b>
Opening cash and cash equivalents		40,526	476
<b>Closing cash and cash equivalents</b>	4	<b>16,911</b>	<b>40,526</b>

The accompanying notes form part of these financial statements

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

### **(a) Reporting entity**

The Transport Service of New South Wales (Transport Service) was established on 1 November 2011 as an agency to employ staff to enable Transport for NSW (TfNSW), which cannot directly employ staff, to undertake its functions.

Since 1 July 2013, Transport Service has also directly employed the senior executives of Roads and Maritime Services (RMS) State Transit Authority (STA), Sydney Trains and NSW Trains. The salaries and related costs (including external audit fees) are recovered from the relevant entities to which the employees are assigned, including TfNSW, except for long service leave and defined benefits superannuation schemes expenses, which are assumed by the Crown.

Additionally the Roads and Maritime Services Division and the State Transit Authority and Western Sydney Buses Divisions were abolished on 24 February 2014 with the assets and liabilities as at that date transferred to Transport Service. The RMS and STA Employment Groups of Transport Service recover the salary and related costs from Roads and Maritime Services and State Transit Authority.

The Transport Service is controlled by the Department of Transport. The financial statements of the Transport Service are consolidated in the Department of Transport financial statements.

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

The financial statements of Transport Service for the year ended 30 June 2015 were authorised for issue by the Acting Secretary on the date the accompanying statement was signed.

### **(b) Basis of preparation**

The financial statements are general purpose financial statements which have been prepared in compliance with:

- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations); and
- The requirements of the *Public Finance and Audit Act 1983* and Regulation.

Financial report items are prepared in accordance with the historical cost convention except for superannuation.

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

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

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

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

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

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

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (e) Employee related

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

#### (f) Income recognition

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to the reporting entity and the income can be reliably measured.

Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

#### (g) Cash and cash equivalents

Cash and cash equivalents in the Statement of financial position comprise cash at bank.

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

#### (h) Receivables

Receivables are recognised when it is probable that the future cash inflows associated with them will be realised and they have a value that can be measured reliably. They are derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

#### (i) Payables

Payables include accrued salaries and wages and related on costs (such as payroll tax, fringe benefits tax, workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

### **(j) Employee benefits provisions and expenses**

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

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

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

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

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

The entity's liabilities for long service leave and defined benefit superannuation are either assumed by the Crown Finance Entity or the entity itself.

For liabilities that are assumed by the Crown Entity, the entity accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Finance Entity of employee benefits and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSW TC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense recognised in the Statement of comprehensive income comprises:

- defined contribution plans, the expense is calculated as a percentage of the employees' salary
- defined benefit plans, the expense is a multiple of the employees' superannuation contributions as specified in the Treasury Circular "Accounting for Superannuation" (NSW TC 14/05)

When liabilities are assumed by the entity, they are recognised in the Statement of financial position and measured as follows:

- Long service leave is measured as the present value of expected future payments to be made in respect of employee's service up to the reporting date, in accordance with AASB 119 Employee Benefits. This is based on an actuarial assessment. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service.
- Contributions to defined contribution plans are expensed when incurred. The superannuation expense is calculated as a percentage of the employee's salary. A liability is recognised only to the extent of unpaid employer contributions at reporting date.

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

### (j) Employee benefits provisions and expenses (cont'd)

- For defined benefit plans, actuarial valuations are carried out at each reporting date by Pillar Administration and the actuarial gains and losses are recognised outside of the net result in other comprehensive income in the year in which they occur. Expenses are recognised based on service costs plus net interest on the net liability or asset for the reporting period as calculated and advised by Pillar Administration. A net liability or asset is recognised based on the difference between the present value of the entity's defined benefit obligations and the fair value of fund assets as at the reporting date, as adjusted for any asset ceiling. The net liability or asset is actuarially determined.

### (iii) Consequential on-costs

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

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

#### (i) Effective for the first time in 2014-15

The accounting policies applied in 2014-15 are consistent with those of the previous financial year.

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

At reporting date all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to group operations and effective for the current annual reporting period have been adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2015 in accordance with Treasury mandated policy. The impact of these standards in the period of initial application will not be significant.

Standard	Applicable to annual reporting periods beginning on or after
AASB 9 Financial Instruments, AASB 2010-7, AASB 2014-7 and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017
AASB 2014-1 Amendments to Australian accounting standards	1 January 2016 (Part D) 1 January 2015 (Part E)
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	1 July 2016

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

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**2. Expenses excluding losses**

**(a) Employee related expenses**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries (including annual leave)	1,406,623	732,944
Superannuation - defined benefits plan	73,088	27,773
Superannuation - defined contribution plan	104,862	60,434
Long service leave	82,789	62,983
Workers' compensation insurance <sup>1</sup>	7,704	(276)
Payroll tax and fringe benefit tax	87,646	46,532
Redundancies	31,124	32,904
Other employment benefits	2,006	3,128
	<b>1,795,842</b>	<b>966,422</b>

<sup>1</sup> Includes a credit resulting from the State Transit Authority self insurance arrangements in 2013-14.

**(b) Other operating expenses**

Auditor's remuneration - audit of the financial statements	53	42
Debt waiver <sup>1</sup>	-	36,449
	<b>53</b>	<b>36,491</b>

<sup>1</sup> The Crown Entity assumed responsibility for former Roads and Maritime Services (RMS) senior service staff long service leave liabilities via an equity transfer to the Transport Service on 30 June 2014 which in effect eliminated the corresponding debt owing by RMS to the Transport Service (see Note 11).

**3. Revenue**

**(a) Personnel services**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Fee for personnel services	1,765,015	1,066,677
	<b>1,765,015</b>	<b>1,066,677</b>

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

Long service leave liability assumed by Crown	30,579	29,097
Superannuation liability assumed by Crown	6,810	4,209
Payroll tax on superannuation assumed by Crown	143	212
	<b>37,532</b>	<b>33,518</b>

**(c) Grants and contributions**

Grant from Transport for NSW	60	42
	<b>60</b>	<b>42</b>

**Transport Service of New South Wales**  
Notes to the financial statements  
for the year ended 30 June 2015

**4. Cash and cash equivalents**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	16,911	40,526
	<b>16,911</b>	<b>40,526</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank

**5. Receivables**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Personnel services debtor	425,309	412,571
	<b>425,309</b>	<b>412,571</b>
<b>Non current</b>		
Personnel services debtor	1,411,087	1,366,485
	<b>1,411,087</b>	<b>1,366,485</b>

**6. Payables**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Creditors	1,000	2,038
Accruals - salaries and oncosts	21,708	28,833
Payable to Crown Entity long service leave	-	25,582
	<b>22,708</b>	<b>56,453</b>



## 7. Provisions

	2015 \$'000	2014 \$'000
<b>Employee benefits and related on-costs</b>		
<b>Current</b>		
Provision for annual leave <sup>1</sup>	139,152	131,589
Provision for long service leave <sup>2</sup>	269,540	253,353
Provision for payroll tax	5,563	5,319
Provision for workers' compensation insurance <sup>3</sup>	4,888	5,999
Provision for public holidays	369	384
	<b>419,512</b>	<b>396,644</b>
<b>Non current</b>		
Provision for long service leave <sup>2</sup>	23,233	22,123
Provision for superannuation	1,369,591	1,320,546
Provision for workers' compensation insurance <sup>3</sup>	18,263	23,816
	<b>1,411,087</b>	<b>1,366,485</b>

<sup>1</sup> It is estimated that the provision for annual leave includes an amount of \$1.8 million that is expected to be taken after 30 June 2016.

<sup>2</sup> The provision for long service leave represents consequential costs not assumed by the Crown Entity for the TfNSW Employment Group and the provision for long service leave and associated consequential costs for the RMS and STA Employment Groups of Transport Service as per NSW TC 15/09.

<sup>3</sup> Relates to State Transit Authority (STA) self insurance arrangement for workers compensation.

### Defined benefit superannuation overview

This overview only relates to the RMS and STA Employment Groups whose defined benefit superannuation schemes are not presently assumed by the Crown Entity.

Employer contributions are made to three defined benefit superannuation schemes administered by the SAS Trustee Corporation (STC): The State Authorities Superannuation Scheme (SASS), the State Authorities Non-contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS), which 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.

**Transport Service of New South Wales**  
Notes to the financial statements  
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**7. Provisions (cont'd)**

<b>Year ended 30 June 2015</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
<b>Member numbers</b>				
Contributors	1,257	1,379	122	2,758
Deferred benefits	-	-	38	38
Pensioners	458	-	1,306	1,764
Pensions fully commuted	-	-	488	488
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability (Note 1)	912,539	80,551	1,524,808	2,517,898
Estimated reserve account balance	(544,121)	(40,207)	(563,979)	(1,148,307)
Deficit/(surplus)	<b>368,418</b>	<b>40,344</b>	<b>960,829</b>	<b>1,369,591</b>
Future service liability (Note 2)	43,926	24,538	12,353	80,817
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in statement of financial position	<b>368,418</b>	<b>40,344</b>	<b>960,829</b>	<b>1,369,591</b>
<b>Year ended 30 June 2014</b>				
<b>Member numbers</b>				
Contributors	1,535	1,764	229	3,528
Deferred benefits	-	-	42	42
Pensioners	392	-	1,262	1,654
Pensions fully commuted	-	-	501	501
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability (Note 1)	912,335	97,016	1,495,334	2,504,685
Estimated reserve account balance	(546,979)	(44,256)	(592,904)	(1,184,139)
Deficit/(surplus)	<b>365,356</b>	<b>52,760</b>	<b>902,430</b>	<b>1,320,546</b>
Future service liability (Note 2)	47,440	26,361	16,165	89,966
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in statement of financial position	<b>365,356</b>	<b>52,760</b>	<b>902,430</b>	<b>1,320,546</b>

**Note 1**

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

**Note 2**

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

(Note: this also includes a contribution tax provision).

## **7. Provisions (cont'd)**

- **Nature of the benefits provided by the fund – Para 139(a)(i)**

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

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

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

All the Schemes are closed to new members.

- **Description of the regulatory framework - Para 139(a)(ii)**

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012. The next actuarial investigation is due as at 30 June 2015 and the report is expected to be released by the end of 2015.

- **Description of other entities' responsibilities for the governance of the fund - Para 139(a)(iii)**

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

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

**Transport Service of New South Wales**  
**Notes to the financial statements**  
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**7. Provisions (cont'd)**

• **Description of risks - Para 139(b)**

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

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

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

• **Description of significant events - Para 139(c)**

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

• **Reconciliation of the Net Defined Benefit Liability/(Asset) - Para 140(a)**

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Net defined benefit liability/(asset) at start of year	365,358	52,760	902,428	1,320,546
Current service cost	13,167	3,988	2,499	19,654
Net Interest on the net defined benefit liability/(asset)	12,765	1,648	32,211	46,624
Actual return on Fund assets less Interest income	(52,512)	(3,442)	(43,636)	(99,590)
Actuarial (gains)/losses arising from changes in demographic assumptions	(121)	(30)	259	108
Actuarial (gains)/losses arising from changes in financial assumptions	43,896	2,904	114,307	161,107
Actuarial (gains)/losses arising from liability experience	41	(4,356)	(46,887)	(51,202)
Employer contributions	(10,794)	(12,797)	(352)	(23,943)
Effects of transfer in/out due to business combinations and disposal	(3,382)	(331)	-	(3,713)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>368,418</b>	<b>40,344</b>	<b>960,829</b>	<b>1,369,591</b>
<b>Year ended 30 June 2014</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Net defined benefit liability/(asset) at start of year	-	-	-	-
Transfer from RMS and STA Divisions	327,829	49,223	793,517	1,170,569
Current service cost	5,251	1,541	(2,656)	4,136
Net Interest on the net defined benefit liability/(asset)	4,328	534	12,055	16,917
Actual return on Fund assets less Interest income	(10,844)	(186)	(1,094)	(12,124)
Actuarial (gains)/losses arising from changes in financial assumptions	42,660	4,400	140,141	187,201
Actuarial (gains)/losses arising from liability experience	(269)	(1,717)	(39,318)	(41,304)
Employer contributions	(3,597)	(1,035)	(217)	(4,849)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>365,358</b>	<b>52,760</b>	<b>902,428</b>	<b>1,320,546</b>

**Transport Service of New South Wales**  
**Notes to the financial statements**  
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**7. Provisions (cont'd)**

• **Reconciliation of the Fair Value of Fund Assets – Para 140(a)(i)**

<b>Year ended 30 June 2015</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	546,978	44,255	592,904	1,184,137
Interest income	18,149	1,578	20,189	39,916
Actual return on Fund assets less Interest income	52,512	3,442	43,636	99,590
Employer contributions	10,794	12,797	352	23,943
Contributions by participants	6,958	-	3,117	10,075
Benefits paid	(105,247)	(19,213)	(102,081)	(226,541)
Taxes, premiums & expenses paid	27,560	(1,171)	5,862	32,251
Transfer in/out due to business combinations and disposal	(13,583)	(1,481)	-	(15,064)
<b>Fair value of fund assets at end of the year</b>	<b>544,121</b>	<b>40,207</b>	<b>563,979</b>	<b>1,148,307</b>

<b>Year ended 30 June 2014</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	-	-	-	-
Transfer from RMS and STA Divisions	607,164	59,617	618,337	1,285,118
Interest income	7,135	814	7,384	15,333
Actual return on Fund assets less Interest income	10,844	186	1,094	12,124
Employer contributions	3,597	1,035	217	4,849
Contributions by participants	2,834	-	1,210	4,044
Benefits paid	(93,261)	(17,251)	(37,218)	(147,730)
Taxes, premiums & expenses paid	8,665	(146)	1,880	10,399
<b>Fair value of fund assets at end of the year</b>	<b>546,978</b>	<b>44,255</b>	<b>592,904</b>	<b>1,184,137</b>

**Transport Service of New South Wales**  
Notes to the financial statements  
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**7. Provisions (cont'd)**

• **Reconciliation of the Defined Benefit Obligation – Para 140(a)(ii)**

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Present value of defined benefit obligations at beginning of the year	912,336	97,015	1,495,332	2,504,683
Current service cost	13,167	3,988	2,499	19,654
Interest cost	30,914	3,226	52,400	86,540
Contributions by participants	6,958	-	3,117	10,075
Actuarial (gains)/losses arising from changes in demographic assumptions	(121)	(30)	259	108
Actuarial (gains)/losses arising from changes in financial assumptions	43,896	2,904	114,307	161,107
Actuarial (gains)/losses arising from liability experience	41	(4,356)	(46,887)	(51,202)
Benefits paid	(105,247)	(19,213)	(102,081)	(226,541)
Taxes, premiums & expenses paid	27,560	(1,171)	5,862	32,251
Transfer in/out due to business combinations and disposal	(16,965)	(1,812)	-	(18,777)
<b>Present value of defined benefit obligations at end of the year</b>	<b>912,539</b>	<b>80,551</b>	<b>1,524,808</b>	<b>2,517,898</b>
<b>Year ended 30 June 2014</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	-	-	-	-
Transfer from RMS and STA Divisions	934,994	108,840	1,411,853	2,455,687
Current service cost	5,251	1,541	(2,656)	4,136
Interest cost	11,462	1,348	19,440	32,250
Contributions by participants	2,834	-	1,210	4,044
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	42,660	4,400	140,141	187,201
Actuarial (gains)/losses arising from liability experience	(269)	(1,717)	(39,318)	(41,304)
Benefits paid	(93,261)	(17,251)	(37,218)	(147,730)
Taxes, premiums & expenses paid	8,665	(146)	1,880	10,399
<b>Present value of defined benefit obligations at end of the year</b>	<b>912,336</b>	<b>97,015</b>	<b>1,495,332</b>	<b>2,504,683</b>

## 7. Provisions (cont'd)

- Reconciliation of the effect of the Asset Ceiling - Para 140(a)(iii)

Year ended 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Year ended 30 June 2014	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- Fair value of Fund assets - Para 142

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

Year ended 30 June 2015	Total \$M	Quoted prices in active markets for identical assets \$M	Significant observable inputs \$M	Unobservable inputs \$M
Short Term Securities	2,642	96	2,546	-
Australian Fixed Interest	2,657	1	2,639	17
International Fixed Interest	1,004	(0)	1,004	-
Australian Equities	10,407	9,899	504	4
International Equities	13,111	9,963	2,585	563
Property	3,453	948	718	1,786
Alternatives	7,170	622	3,020	3,528
<b>Total*</b>	<b>40,443</b>	<b>21,529</b>	<b>13,016</b>	<b>5,898</b>

Year ended 30 June 2014	Total \$M	Quoted prices in active markets for identical assets \$M	Significant observable inputs \$M	Unobservable inputs \$M
Short Term Securities	2,453	1,573	880	-
Australian Fixed Interest	2,365	11	2,354	-
International Fixed Interest	881	-	881	-
Australian Equities	11,739	11,494	241	3
International Equities	10,953	8,173	2,781	-
Property	3,272	894	692	1,686
Alternatives	6,329	565	4,897	867
<b>Total*</b>	<b>37,992</b>	<b>22,710</b>	<b>12,726</b>	<b>2,556</b>

## 7. Provisions (cont'd)

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

	2015	2014
	%	%
Short term securities	6.5%	6.5%
Australian fixed interest	6.6%	6.2%
International fixed interest	2.5%	2.3%
Australian equities	25.7%	30.9%
International equities	32.4%	28.8%
Property	8.6%	8.6%
Alternatives	17.7%	16.7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

^Additional to the assets disclosed above, at 30 June 2015 the Pooled Fund has provisions for receivables/(payables) estimated to be around \$1.74 billion. This gives total estimated assets of \$42.2 billion.

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

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

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

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

### Fair value of entity's own financial instruments – Para 143

The fair value of the Pooled Fund assets as at 30 June 2015 include \$209.2 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- GPNSW occupies part of a property owned by the Pooled Fund with a fair value of \$159.0 million (30 June 2014: \$153.0 million).
- NSW Ambulance occupies part of a property 50% owned by the Pooled Fund with a fair value of \$204.0 million (30 June 2014: \$205.0 million).

### • Significant Actuarial Assumptions at the Reporting Date - Para 144

	2015	2014
Discount rate	3.03% pa	3.57% pa
Salary increase rate (excluding promotional increases)	2.50% 2015/16 to 2018/19; 3.50% 2019/20; 3.00% pa 2021/22 to 2024/25; 3.50% pa thereafter	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter
Rate of CPI increase	2.50% 2015/16; 2.75% 2016/17 & 2017/18; 2.50% pa thereafter	2.5% pa
Pensioner mortality	as per the 2012 Actuarial Investigation of the Pooled Fund	as per the 2012 Actuarial Investigation of the Pooled Fund



**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**7. Provisions (cont'd)**

• **Sensitivity analysis – Para 145**

The entity's total defined benefit obligation as at 30 June 2015 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 2015.

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

<b>Year ended 30 June 2015</b>	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	3.03%	2.03%	4.03%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	2,517,898	2,854,656	2,242,502
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	2,517,898	2,658,469	2,389,700
	<b>Base case</b>	<b>Scenario E +0.5% rate of salary increase</b>	<b>Scenario F -0.5% rate of salary increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	2,517,898	2,537,470	2,499,103
	<b>Base case</b>	<b>Scenario G +5% pensioner mortality rates</b>	<b>Scenario H -5% pensioner mortality rates</b>
Defined benefit obligation (A\$'000)	2,517,898	2,493,009	2,544,294

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

## 7. Provisions (cont'd)

- Sensitivity analysis – Para 145 (continued)**

The entity's total defined benefit obligation as at 30 June 2014 under several scenarios is presented below. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

<b>Year ended 30 June 2014</b>	<b>Base case</b>	<b>Scenario A -1% discount rate</b>	<b>Scenario B +1% discount rate</b>
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	2,504,683	2,826,146	2,241,997
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	2,504,683	2,637,467	2,383,672
	<b>Base case</b>	<b>Scenario E +0.5% rate of CPI increase</b>	<b>Scenario F -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates	above rates
Salary inflation rate	as above	plus 0.5% pa	less 0.5% pa
Defined benefit obligation (A\$'000)	2,504,683	2,525,112	2,485,048
	<b>Base case</b>	<b>Scenario G +5% pensioner mortality rates</b>	<b>Scenario H -5% pensioner mortality rates</b>
Defined benefit obligation (A\$'000)	2,504,683	2,483,137	2,527,497

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

- Asset-Liability matching strategies - Para 146**

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

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**7. Provisions (cont'd)**

• **Funding arrangements - Para 147(a)**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

The next triennial review as at 30 June 2015, the report is expected to be released by the end of 2015.

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 2015 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Accrued benefits	634,136	59,805	783,907	1,477,848
Net market value of Fund assets	(544,121)	(40,207)	(563,979)	(1,148,307)
<b>Net (surplus)/deficit</b>	<b>90,015</b>	<b>19,598</b>	<b>219,928</b>	<b>329,541</b>

<b>Year ended 30 June 2014</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Accrued benefits	677,685	75,124	815,820	1,568,629
Net market value of Fund assets	(546,977)	(44,256)	(592,904)	(1,184,137)
<b>Net (surplus)/deficit</b>	<b>130,708</b>	<b>30,868</b>	<b>222,916</b>	<b>384,492</b>

\*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

• **Contribution recommendations**

<b>Year ended 30 June 2015</b>	<b>SASS % p.a.</b>	<b>SANCS % p.a.</b>	<b>SSS % p.a.</b>
Recommended contributions rates were:			
RMS employment group	1.1%	2.1%	0.2%
STA employment group	2.2%	2.5%	1.6%

<b>Year ended 30 June 2014</b>	<b>SASS % p.a.</b>	<b>SANCS % p.a.</b>	<b>SSS % p.a.</b>
Recommended contributions rates were:			
RMS employment group	1.1%	2.1%	0.2%
STA employment group	2.2%	2.5%	1.6%

**Transport Service of New South Wales**  
Notes to the financial statements  
for the year ended 30 June 2015

**7. Provisions (cont'd)**

• **Economic assumptions**

The economic assumptions adopted for the 30 June 2012 actuarial investigation of the Pooled Fund are:

<b>Weighted-average assumptions</b>	<b>2015 % p.a.</b>	<b>2014 % p.a.</b>
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
	SASS, SANCS, SSS	SASS, SANCS, SSS
Expected salary increase rate (excluding promotional salary increases)	2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter	2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5% pa

• **Expected contributions - Para 147(b)**

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	9,922	2,965	483	13,370
<b>Year ended 30 June 2014</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Expected employer contributions	12,352	3,853	1,085	17,290

• **Maturity profile of defined benefit obligation - Para 147(c)**

The weighted average duration of the defined benefit obligation is:

RMS employment group – 12.9 years.

STA employment group – 11.2 years.

• **Profit or Loss Impact**

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Current service cost	13,167	3,988	2,499	19,654
Net interest	12,765	1,648	32,211	46,624
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
<b>Defined benefit cost</b>	<b>25,932</b>	<b>5,636</b>	<b>34,710</b>	<b>66,278</b>
<b>Year ended 30 June 2014</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Current service cost	5,251	1,541	(2,656)	4,136
Net interest	4,328	534	12,055	16,917
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
<b>Defined benefit cost</b>	<b>9,579</b>	<b>2,075</b>	<b>9,399</b>	<b>21,053</b>

**Transport Service of New South Wales**  
Notes to the financial statements  
for the year ended 30 June 2015

**7. Provisions (cont'd)**

• **Other comprehensive income**

<b>Year ended 30 June 2015</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Actuarial (gains) losses on liabilities	43,816	(1,480)	67,679	110,015
Actual return on Fund assets less Interest income	(52,512)	(3,442)	(43,636)	(99,590)
Effects of transfer in/out due to business combinations and disposal	(3,382)	(331)	-	(3,713)
Adjustment for effect of asset ceiling	-	-	-	-
<b>Total remeasurement in Other Comprehensive Income</b>	<b>(12,078)</b>	<b>(5,253)</b>	<b>24,043</b>	<b>6,712</b>
<b>Year ended 30 June 2014</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>	<b>Total \$'000</b>
Actuarial (gains) losses on liabilities	42,391	2,682	100,824	145,897
Actual return on Fund assets less Interest income	(10,844)	(186)	(1,094)	(12,124)
Adjustment for effect of asset ceiling	-	-	-	-
<b>Total remeasurement in Other Comprehensive Income</b>	<b>31,547</b>	<b>2,496</b>	<b>99,730</b>	<b>133,773</b>

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

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Net cash inflows / (outflows) from operating activities	(23,615)	40,050
Non cash expense (long service leave and superannuation assumed by the Crown Entity)	(37,532)	(33,518)
Non cash acceptance by the Crown Entity of employee entitlements	37,532	33,518
Non cash expense debt waiver - equity transfer	-	(36,449)
Increase / (decrease) in receivables	57,262	164,194
(Increase) / decrease in payables	33,745	(44,891)
(Increase) / decrease in employee related provisions	(60,680)	(25,580)
<b>Net result</b>	<b>6,712</b>	<b>97,324</b>

## 9. Financial instruments

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

The reporting entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of the reporting entity do not expose it to a variety of financial risks such as credit, liquidity or market risk. The main risks arising from any financial instrument of the reporting entity are outlined below together with the reporting entity's objectives, policies and processes for measuring and managing the risks.

Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary of the reporting entity has overall responsibility for the establishment and oversight of risk management and review and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the Audit and Risk Committee and internal audit on a regular basis.

### (a) Financial instrument categories

<b>Financial assets</b>	<b>Note</b>	<b>Category</b>	<b>2015</b>	<b>2014</b>
<b>Class:</b>			<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	4	N/A	16,911	40,526
Receivables <sup>1</sup>	5	Loans and receivables (at amortised cost)	1,836,396	1,779,056
<b>Financial liabilities</b>	<b>Note</b>	<b>Category</b>	<b>2015</b>	<b>2014</b>
<b>Class:</b>			<b>\$'000</b>	<b>\$'000</b>
Payables <sup>2</sup>	6	Financial liabilities (at amortised cost)	22,708	56,453

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB7)

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

### (b) Credit risk

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

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions.

Credit risk impacts on the following financial instruments which are discussed below:

#### Cash

Cash comprises bank balances within the NSW Treasury Banking System.

#### Receivables – personnel services debtor

All personnel services debtors are recognised as amounts receivable at balance date. Personnel services debtors are employee related and therefore will not be past due or impaired for 2015 financial year. All debtors are NSW government agencies and no debtor balances are considered impaired as at 30 June 2015.

**Transport Service of New South Wales**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

**(c) Liquidity risk**

Liquidity risk is the risk that Transport Service will be unable to meet its payment obligations when they fall due. Transport Service continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets primarily in the form of cash at bank.

During the current and prior year, there were no defaults of loans payable and no assets have been pledged as collateral.

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

	Weighted average effective int. rate	Nominal amount \$'000	Interest rate exposure			Maturity dates		
			Fixed interest Rate \$'000	Variable interest rate \$'000	Non- interest bearing \$'000	< 1 year \$'000	1 -5 years \$'000	> 5 years \$'000
<b>2015</b>								
<b>Payables:</b>								
Accrued salaries, wages and on-costs	-	21,708	-	-	21,708	21,708	-	-
Other creditors	-	1,000	-	-	1,000	1,000	-	-
		<b>22,708</b>	-	-	<b>22,708</b>	<b>22,708</b>	-	-
<b>2014</b>								
<b>Payables:</b>								
Accrued salaries, wages and on-costs	-	28,833	-	-	28,833	28,833	-	-
Other creditors	-	27,620	-	-	27,620	27,620	-	-
		<b>56,453</b>	-	-	<b>56,453</b>	<b>56,453</b>	-	-

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The entity has no exposure to foreign currency risk and does not enter into commodity contracts.

**(e) Fair value compared to carrying amount**

Financial instruments are recognised at amortised cost. The carrying value of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

## Transport Service of New South Wales

### Notes to the financial statements

for the year ended 30 June 2015

#### 10. Administrative restructures

	Sydney Ports Corporation (PBLIS)*	Total	Roads and Maritime Services Division	State Transit Authority and Western Sydney Buses Division	Total
	2015	2015	2014	2014	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Receivables	78	78	250,679	116,976	367,655
<b>Total current assets</b>	<b>78</b>	<b>78</b>	<b>250,679</b>	<b>116,976</b>	<b>367,655</b>
<b>Non current assets</b>					
Receivables	-	-	1,004,735	212,512	1,217,247
<b>Total non current assets</b>	<b>-</b>	<b>-</b>	<b>1,004,735</b>	<b>212,512</b>	<b>1,217,247</b>
<b>Total assets</b>	<b>78</b>	<b>78</b>	<b>1,255,414</b>	<b>329,488</b>	<b>1,584,902</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	-	-	7,486	-	7,486
Provisions	78	78	243,193	116,976	360,169
<b>Total current liabilities</b>	<b>78</b>	<b>78</b>	<b>250,679</b>	<b>116,976</b>	<b>367,655</b>
<b>Non current liabilities</b>					
Provisions	-	-	1,004,735	212,512	1,217,247
<b>Total non current liabilities</b>	<b>-</b>	<b>-</b>	<b>1,004,735</b>	<b>212,512</b>	<b>1,217,247</b>
<b>Total liabilities</b>	<b>78</b>	<b>78</b>	<b>1,255,414</b>	<b>329,488</b>	<b>1,584,902</b>
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Net assets and liabilities transferred to Transport Service were as follows:

\* Transport for NSW is the receiver of personal services with respect to PBLIS. The transfer of PBLIS employee provisions created an annual leave provision in Transport Service of New South Wales and a receivable with Transport for NSW.

#### 11. Equity Transfers

	2015	2014
	\$'000	\$'000
Transfer of Transport long service leave liability to Crown Entity	-	36,449
	<b>-</b>	<b>36,449</b>

On the 30 June 2014 the Treasurer approved the equity transfer of long service liability to the Crown Entity in respect to the former Roads and Maritime Services senior service staff transferred to Transport Service in 2013/2014.

#### 12. After balance date events

Effective 1 July 2015, the Treasurer approved the equity transfer of long service leave and defined benefits superannuation scheme liabilities relating to former RMS award staff from the Transport Service to the Crown. The liabilities transferred to the Crown on 1 July 2015 totalled \$1,356.4 million. The corresponding receivable (TS) and payable (RMS) between RMS and Transport Services will be extinguished as an equity transfer as directed by the Transport Secretary.

**End of audited financial statements.**





## INDEPENDENT AUDITOR'S REPORT

### Sydney Ferries

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Sydney Ferries, which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of Sydney Ferries as at 30 June 2015, and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

### The Chief Executive's Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of Sydney Ferries
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Peter Barnes  
Director, Financial Audit Services

17 September 2015  
SYDNEY



# **Sydney Ferries**

Annual Financial Statements

*for the year ended 30 June 2015*

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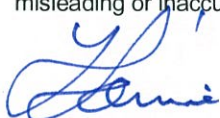
**Sydney Ferries**  
**Statement by the Chief Executive**  
for the year ended 30 June 2015

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Pursuant to Sections 41C (1B) and (1C) of the *Public Finance and Audit Act, 1983*, I declare that, in my opinion:

- 1) The accompanying financial statements, consisting of the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes accompanying and forming part of the financial statements, exhibit a true and fair view of the financial position of Sydney Ferries as at 30 June 2015, and of its financial performance for the year ended on that date.
- 2) These financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and NSW Treasurer's Directions.

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



**Fergus Gammie**  
**Acting Chief Executive**  
15 September 2015

**Sydney Ferries**  
**Statement of comprehensive income**

for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Actual 2014 \$'000
<b>Expenses excluding losses</b>			
Employee related	2(a)	468	1,255
Depreciation and amortisation	2(b)	14,222	14,854
Other operating expenses	2(c)	1,599	148
<b>Total expenses excluding losses</b>		<b>16,289</b>	<b>16,257</b>
<b>Revenue</b>			
Operational revenue	3(a)	5,905	5,742
Other revenue	3(b)	8,203	6,183
<b>Total revenue</b>		<b>14,108</b>	<b>11,925</b>
Other gains/(losses)	4	582	(5,754)
<b>Net result</b>		<b>(1,599)</b>	<b>(10,086)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Land, buildings and improvements revaluation		-	(1,570)
<b>Total other comprehensive income</b>		<b>-</b>	<b>(1,570)</b>
<b>Total comprehensive income</b>		<b>(1,599)</b>	<b>(11,656)</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of financial position**

as at 30 June 2015

	Notes	Actual 2015 \$'000	Actual 2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	18,172	15,820
Trade and other receivables	6	113	599
<b>Total current assets</b>		<b>18,285</b>	<b>16,419</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	81,785	85,032
Intangibles	8	40,382	42,015
<b>Total non-current assets</b>		<b>122,167</b>	<b>127,047</b>
<b>Total assets</b>		<b>140,452</b>	<b>143,466</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	704	806
Employee benefits	11	-	427
Other liabilities	12	5,780	6,666
<b>Total current liabilities</b>		<b>6,484</b>	<b>7,899</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>6,484</b>	<b>7,899</b>
<b>Net assets</b>		<b>133,968</b>	<b>135,567</b>
<b>EQUITY</b>			
Accumulated funds		126,932	128,531
Reserves		7,036	7,036
<b>Total equity</b>		<b>133,968</b>	<b>135,567</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of changes in equity**

for the year ended 30 June 2015

	Accumulated funds \$'000	Asset revaluation reserve \$'000	Total equity \$'000
<b>Balance at 1 July 2014</b>	128,531	7,036	135,567
<b>Net result</b>	(1,599)	-	(1,599)
<b>Other comprehensive income</b>	-	-	-
<b>Total other comprehensive income</b>	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>(1,599)</b>	<b>-</b>	<b>(1,599)</b>
<b>Balance at 30 June 2015</b>	<b>126,932</b>	<b>7,036</b>	<b>133,968</b>
<b>Balance at 1 July 2013</b>	138,617	8,606	147,223
<b>Net result</b>	(10,086)	-	(10,086)
<b>Other comprehensive income</b>			
Land, buildings and improvements reserve decrement	-	(1,570)	(1,570)
<b>Total other comprehensive income</b>	<b>-</b>	<b>(1,570)</b>	<b>(1,570)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>(10,086)</b>	<b>(1,570)</b>	<b>(11,656)</b>
<b>Balance at 30 June 2014</b>	<b>128,531</b>	<b>7,036</b>	<b>135,567</b>

The accompanying notes form part of these financial statements.



**Sydney Ferries**  
**Statement of cash flows**  
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Operational revenue		7,267	6,408
Grants		3,539	-
Other receipts		84	2,704
Interest received		344	575
Payments to suppliers		(2,822)	(2,083)
Payments for employees and former employees		(1,925)	(3,504)
<b>Net cash flows from operating activities</b>	14	<b>6,487</b>	<b>4,100</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and other non-current assets		(4,135)	(3,818)
<b>Net cash flows from investing activities</b>		<b>(4,135)</b>	<b>(3,818)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows from financing activities</b>		-	-
<b>Net increase / (decrease) in cash</b>		2,352	282
Opening cash and cash equivalents		15,820	15,538
<b>Closing cash and cash equivalents</b>	5	<b>18,172</b>	<b>15,820</b>

The accompanying notes form part of these financial statements.

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2015

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### 1. Summary of significant accounting policies

#### (a) Reporting entity

Sydney Ferries is a statutory corporation established by the *Transport Administration Act 1988*. Sydney Ferries is a “statutory authority” for the purposes of the *Public Finance and Audit Act 1983* and is a controlled entity of Transport for NSW and the Department of Transport and is consolidated as part of the NSW Total State Sector Accounts.

Sydney Ferries was initially established to deliver safe and reliable Sydney ferry services in an efficient, effective and financially responsible manner. 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. The contract commenced on 28 July 2012.

The financial statements were authorised for issue by the Acting Chief Executive Officer on the date on which the accompanying Statement by the Acting Chief Executive was signed.

#### (b) Basis of preparation

The financial statements of Sydney Ferries have been prepared as general purpose financial statements on an accrual basis in accordance with:

- applicable Australian Accounting Standards and Interpretations;
- the requirements of the NSW *Public Finance and Audit Act 1983*;
- the NSW Public Finance and Audit Regulation 2015; and
- Treasurer’s Directions and Treasury Circulars.

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

#### (c) Statement of compliance

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

#### (d) Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment and intangible assets, which are measured at fair value.

#### (e) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognised in the period in which the estimate is revised and in any future periods affected.

The judgements, key assumptions and estimates management has made are disclosed in the relevant notes to the financial statements.

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (e) Use of estimates and judgements (cont'd)

##### (i) Critical judgements in applying the accounting policies:

##### **Determination of for-profit or not-for-profit**

Sydney Ferries is a not-for-profit entity as profit is not its principal objective.

##### **Going concern**

The financial statements have been prepared on a going concern basis which assumes that payment of liabilities will be met, as and when they fall due, without any intention or necessity to liquidate assets or otherwise wind up operations.

#### (f) Revenue

Revenue is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Revenue is not recognised unless receipt is probable and the amount is reliably measurable. Revenue is recognised on major income categories as follows:

##### (i) Grants

Income from grants is recognised when all of the following conditions are satisfied: the entity obtains control of the grant or the right to receive the grant; it is probable that the economic benefits comprising the grant will flow to the entity, and the amount of the grant can be measured reliably. Income from grants is measured at the fair value of the grant received or receivable. Unspent grants are accounted for as liabilities if there is a contractual obligation to refund the unspent amounts.

##### (ii) Investment revenue

Interest revenue is recognised in the Statement of comprehensive income as it accrues, using the effective interest method.

##### (iii) Rental revenue

Rental revenue is recognised in accordance with *AASB 117 Leases* on a straight-line basis over the lease term.

##### (iv) MPM revenue

MPM Revenue is recognised in line with major periodic maintenance work undertaken by the Ferry Services Contractor, Harbour City Ferries, on Sydney Ferries vessels.

#### (g) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits. Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

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

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

**(h) Employee benefits and other provisions**

**(i) Wages and salaries, annual leave and on-costs**

Liabilities for wages, salaries (including non monetary benefits) and annual leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled. The leave liabilities for staff that transferred to HCF are retained by Sydney Ferries, with HCF submitting claims to Sydney Ferries on a regular basis for leave taken that relates to the leave entitlements accrued by staff up to and including 27 July 2012.

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

Outstanding amounts of payroll tax, workers compensation insurance premiums and superannuation, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

**(ii) Long service leave**

The long service leave liabilities for staff that transferred to HCF are retained by Sydney Ferries, with HCF submitting claims to Sydney Ferries on a regular basis for leave taken that relates to the leave entitlements accrued by staff up to and including 27 July 2012. The liability for long service leave for Sydney Ferries employees is recognised in the provision for employee benefits and measured on a nominal basis having regard to the terms and conditions of these employees.

**(iii) Superannuation**

Sydney Ferries' defined benefit superannuation liability has been assumed by the Crown Entity. The entity accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

The superannuation expense recognised in the Statement of comprehensive income comprises of defined contribution plans (the expense is calculated as a percentage of the employees' salary).

**(i) Insurance**

HCF has appropriate insurance to cover material liability, physical damage, business interruption, and other exposures arising out of normal business operations.

**(j) Taxes**

**(i) Accounting for Goods and Services Tax (GST)**

In relation to GST, revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by Sydney Ferries as a purchaser is not recoverable from the Australian Taxation Office. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. However, the GST components of cash flows arising from investing activities which is recoverable or payable to the Australian Taxation Office are classified as operating cash flows.

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (j) Taxes (cont'd)

##### (ii) Income Tax

NSW Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime for Government Businesses (Treasury Policy Paper 03-4). Accordingly, tax effect accounting is not prepared.

##### (iii) State Taxes

Sydney Ferries is exempt from land tax.

#### (k) Cash and cash equivalents

Cash is carried at its principal amount and is subject to an insignificant risk of changes in value. Cash includes cash on hand and at bank.

#### (l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Statement of comprehensive income when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

#### (m) Impairment of financial assets

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

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

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

Any reversals of impairment losses are reversed through the Statement of comprehensive income, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

#### (n) Trade and other payables

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

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (o) De-recognition of financial assets and financial liabilities

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire or if the agency transfers the financial asset:

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

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

A financial liability is de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

#### (p) Property, Plant and Equipment

##### (i) Acquisition of assets and capitalisation threshold

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Sydney Ferries. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash equivalent. The deferred payment amount is effectively discounted at an asset-specific rate.

Property, plant and equipment costing \$5,000 or more individually and having a minimum expected useful life of one year or more is capitalised.

Major spares purchased specifically for particular assets or class of assets are, at the time of acquisition, included in the cost of the assets and depreciated accordingly.

##### (ii) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-1). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Each class of physical non-current asset is revalued 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. The last revaluation for ferries was completed in June 2013. Freehold land, buildings and improvements were valued on 30 June 2014 based on an independent assessment.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured at depreciated replacement cost. For vessels which are specialised assets, depreciated replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provided similar economic benefits.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

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

**(p). Property, Plant and Equipment (cont'd)**

**(ii) Revaluation of Property, Plant and Equipment (cont'd)**

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated. The accumulated depreciation is restated proportionately with the change in the gross carrying amount so that the carrying amount of the asset after revaluation equals its revalued amount. In all other cases the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognised profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the statement of comprehensive income. Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset will be transferred to accumulated funds.

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

An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 20%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20%.

**(iii) Work in progress**

Costs relating to property, plant and equipment that are under construction, or are otherwise incomplete, are shown in the statement of financial position as work in progress and are not depreciated until the assets are brought into service.

**(iv) Impairment of Property, Plant and Equipment**

In respect of a not-for-profit entity, value in use is the depreciated replacement cost. Hence an impairment loss is unlikely to arise on any of Sydney Ferries' assets because the carrying amount (usually depreciated 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 off in the same financial year.

**(v) Depreciation of Property, Plant and Equipment**

Property, plant and equipment, excluding freehold land and work in progress, are depreciated over their estimated useful lives as follows:

<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	15 to 40 Yrs	Straight Line

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (p). Property, Plant and Equipment (cont'd)

##### (vi) Dry Docking

As part of the long-term maintenance program for the fleet, all vessels undergo a major refit (dry docking) on a regular basis (every 5 years for the Freshwater class of ferries and every 2 years for the remainder of the fleet). The cost of these dockings are capitalised and depreciated over the period to the subsequent docking.

##### (vii) Repairs and maintenance

The cost of routine maintenance and repairs are expensed as incurred, except where they relate to the replacement of a component of an asset that increases the service potential of the asset, in which case the cost is capitalised and depreciated.

#### (q) Intangible assets

##### (i) Right to receive

Sydney Ferries recognises the right to receive ferry spare parts inventory and fuel stocks which Harbour City Ferries (HCF) under its contract must return at the end of that contract. HCF advises Sydney Ferries the value of the right to receive assets as at 30 June each year based on the amount of fuel and of each inventory item and relevant values, of each of the right to receive items at the reporting date. The advice from HCF is used for the purpose of assessing impairment to the right to receive assets as at 30 June each year.

##### (ii) Computer software

The Ferry Operations Customer Information System (FOCIS) is recognised as computer software and amortised over its useful life of 5 years.

#### (r) Provisions

A provision is recognised in the Statement of financial position when Sydney Ferries has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

If the effect of the time value of money is material, provisions are measured using the present value of the expenditure expected to be required to settle the obligation and using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (s) Other liabilities

Other liabilities include amounts brought to account for the leave amounts owing to HCF for former Sydney Ferries employees, not including superannuation for leave taken in service.

#### (t) Comparatives

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



# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (u) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being Sydney Ferries operational cycle. In the case of liabilities where Sydney Ferries does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

#### (v) Fair value hierarchy

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

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

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

Refer Note 9 and Note 15 for further disclosures regarding fair value measurements of financial and non-financial assets

#### (w) Equity and reserves

##### (i) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of noncurrent assets. This accords with Sydney Ferries policy on the revaluation of property, plant and equipment as discussed in note 1(p). Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve).

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

##### (i) Effective for the first time in 2014-15

The accounting policies applied in 2014-15 are consistent with the Australian Accounting Standards, including Accounting Standards AASB 10, 11, 12 and 128, which, where relevant, were adopted for the first time in 2014-15.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

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

**(ii) Issued but not yet effective**

At reporting date all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to group operations and effective for the current annual reporting period have been adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2015 in accordance with Treasury mandated policy. The impact of these standards in the period of initial application will not be significant.

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
AASB 9 Financial Instruments, AASB 2010-7, AASB 2014-7 and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 January 2015 (Part C)
AASB 2014-1 Amendments to Australian accounting standards	1 January 2016 (Part D) 1 January 2015 (Part E)
AASB 2014-4 Amendments to Australian accounting standards Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	1 July 2016
AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities	1 July 2016

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

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**2. Expenses**

**(a) Employee related expenses**

	<b>Notes</b>	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Wages and salaries		230	899
Redundancy and restructuring		260	240
Annual leave <sup>1</sup>		(12)	(11)
Long service leave <sup>1</sup>		(35)	(3)
Superannuation - defined contribution plan		36	102
Workers' compensation <sup>1</sup>		(5)	(10)
Payroll tax and fringe benefits tax <sup>1</sup>		(6)	38
<b>Total employee related expenses</b>		<b>468</b>	<b>1,255</b>

<sup>1</sup> Employee related expenses in 2014/15 is impacted due to the overprovision of employment liabilities in the prior year.

**(b) Depreciation and amortisation expense**

Depreciation	7	10,969	12,915
Amortisation - intangibles (amortisation expense for FOCIS)	8	3,253	1,939
<b>Total depreciation and amortisation expense</b>		<b>14,222</b>	<b>14,854</b>

**(c) Other operating expenses**

Operating leases		77	113
Auditor's remuneration - audit of financial statements		51	55
Marketing		5	-
IT & Communications		5	(43)
Professional services		25	71
Property lease expenses <sup>1</sup>		810	-
Printing		17	-
Administration		609	(48)
<b>Total other operating expenses</b>		<b>1,599</b>	<b>148</b>

<sup>1</sup> Increase in expense reflects the settlement of a legal claim in 2014/15 which was disclosed as a contingent liability as at 30 June 2014.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**3. Revenue**

(a) Operational revenue

	2015	2014
	\$'000	\$'000
Lease revenue	5,905	5,742
<b>Total operational revenue</b>	<b>5,905</b>	<b>5,742</b>

(b) Other revenue

Interest	433	575
Other revenue	39	668
Grants from Transport for NSW	3,539	-
MPM revenue	4,192	4,940
<b>Total other revenue</b>	<b>8,203</b>	<b>6,183</b>

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

	2015	2014
	\$'000	\$'000
Impairment reversals / (losses) on right to receive assets <sup>1</sup>	582	(4,270)
Write-down on land assets	-	(1,484)
<b>Total gains/(losses) on disposal of assets</b>	<b>582</b>	<b>(5,754)</b>

<sup>1</sup> See Note 8.

**5. Cash and cash equivalents**

	2015	2014
	\$'000	\$'000
Cash	18,172	15,820
<b>Total cash and cash equivalents</b>	<b>18,172</b>	<b>15,820</b>

**6. Trade and other receivables**

	2015	2014
	\$'000	\$'000
Trade debtors	-	599
Interest receivable	89	-
GST receivables	24	-
<b>Total trade and other receivables</b>	<b>113</b>	<b>599</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**7. Property, plant and equipment**

(a) **Classes**

	2015 \$'000	2014 \$'000
<b>Land - freehold</b>		
Gross carrying amount	2,700	2,700
<b>Buildings - freehold</b>		
Gross carrying amount	15,482	15,482
Less: accumulated depreciation and impairment	(10,459)	(10,063)
Total buildings - freehold	5,023	5,419
<b>Plant and equipment</b>		
Gross carrying amount	13,720	13,720
Less: accumulated depreciation and impairment	(8,562)	(8,273)
Total plant and equipment	5,158	5,447
<b>Ferries</b>		
Gross carrying amount	283,046	278,854
Less: accumulated depreciation and impairment	(219,891)	(209,607)
Total ferries	63,155	69,247
<b>Work in progress</b>		
Gross carrying amount	5,749	2,219
Total work in progress	5,749	2,219
<b>Total property, plant and equipment</b>	<b>81,785</b>	<b>85,032</b>

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2015

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

#### (b) Reconciliation of property, plant and equipment

Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

	Land - freehold \$'000	Buildings - freehold \$'000	Plant and equipment \$'000	Ferries \$'000	Work in progress \$'000	Total \$'000
<b>Gross carrying amount</b>						
Balance at 1 July 2014	2,700	15,482	13,720	278,854	2,219	312,975
Additions	-	-	-	-	3,530	3,530
Revaluations	-	-	-	-	-	-
MPM additions	-	-	-	4,192	-	4,192
<b>Balance at 30 June 2015</b>	<b>2,700</b>	<b>15,482</b>	<b>13,720</b>	<b>283,046</b>	<b>5,749</b>	<b>320,697</b>
Balance at 1 July 2013	5,737	15,130	13,720	273,915	12,940	321,442
Additions	-	-	-	-	3,818	3,818
Revaluations	(3,037)	352	-	-	-	(2,685)
MPM additions	-	-	-	4,939	-	4,939
Transfer to intangibles	-	-	-	-	(14,539)	(14,539)
<b>Balance at 30 June 2014</b>	<b>2,700</b>	<b>15,482</b>	<b>13,720</b>	<b>278,854</b>	<b>2,219</b>	<b>312,975</b>
<b>Accumulated depreciation</b>						
Balance at 1 July 2014	-	(10,063)	(8,273)	(209,607)	-	(227,943)
Depreciation for the year	-	(396)	(289)	(10,284)	-	(10,969)
Revaluations	-	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>-</b>	<b>(10,459)</b>	<b>(8,562)</b>	<b>(219,891)</b>	<b>-</b>	<b>(238,912)</b>
Balance at 1 July 2013	-	(9,317)	(7,985)	(197,357)	-	(214,659)
Depreciation for the year	-	(377)	(288)	(12,250)	-	(12,915)
Revaluations	-	(369)	-	-	-	(369)
<b>Balance at 30 June 2014</b>	<b>-</b>	<b>(10,063)</b>	<b>(8,273)</b>	<b>(209,607)</b>	<b>-</b>	<b>(227,943)</b>
<b>Net carrying amounts</b>						
At 1 July 2013	5,737	5,813	5,735	76,558	12,940	106,783
At 1 July 2014	2,700	5,419	5,447	69,247	2,219	85,032
<b>At 30 June 2015</b>	<b>2,700</b>	<b>5,023</b>	<b>5,158</b>	<b>63,155</b>	<b>5,749</b>	<b>81,785</b>

#### Estimates:

Management has estimated expected usage and assessed the assets for impairment.

#### Valuations:

(a) Property, plant and equipment were revalued in accordance with the basis of valuation set out in Note 1(p).

(b) The following non-current assets were independently valued by registered valuers:

Class of assets	Date of valuation	Registered valuers
Freehold land	30-Jun-14	Preston Rowe Paterson NSW Pty. Ltd.
Buildings	30-Jun-14	MDA Australia Pty. Ltd.
Ferries	30-Jun-13	Rodney Hyman Asset Services Pty. Ltd.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**8. Intangibles**

	Notes	2015 \$'000	2014 \$'000
<b>Right to receive assets</b>			
Right to receive - plant & equipment		4,914	5,161
Right to receive - intangibles		1,876	1,135
Right to receive - leasehold improvements		14,015	14,753
Right to receive - inventory (incl fuel)		9,192	8,366
<b>Total right to receive assets</b>		<b>29,997</b>	<b>29,415</b>
Computer software		10,385	12,600
<b>Total computer software</b>		<b>10,385</b>	<b>12,600</b>
<b>Total intangibles</b>		<b>40,382</b>	<b>42,015</b>

The contract with Harbour City Ferries for the provision of ferry services provides for assets to be returned to Sydney Ferries at the end of the contract. Those assets have been brought to account as a right to receive intangible asset.

Reconciliation of carrying amounts of each class of intangible at the beginning and at the end of the reporting period are set out below:

	Right to receive \$'000	Computer software \$'000	Total \$'000
<b>At 30 June 2015</b>			
Cost (gross carrying amount)	33,685	15,577	49,262
Accumulated amortisation and impairment	(3,688)	(5,192)	(8,880)
Net carrying amount	<b>29,997</b>	<b>10,385</b>	<b>40,382</b>
<b>At 1 July 2014</b>			
Cost (gross carrying amount)	33,685	14,539	48,224
Accumulated amortisation and impairment	(4,270)	(1,939)	(6,209)
Net carrying amount	<b>29,415</b>	<b>12,600</b>	<b>42,015</b>
<b>Reconciliation</b>			
<b>Year ended 30 June 2015</b>			
Net carrying amount at start of year	29,415	12,600	42,015
Impairment reversals / (losses) - (refer Note 4)	582	-	582
Additions	-	1,038	1,038
Amortisation	-	(3,253)	(3,253)
Net carrying amount at end of year	<b>29,997</b>	<b>10,385</b>	<b>40,382</b>
<b>Year ended 30 June 2014</b>			
Net carrying amount at start of year	33,685	-	33,685
Transfers in from PPE	-	14,539	14,539
Impairment losses (refer Note 4)	(4,270)	-	(4,270)
Amortisation	-	(1,939)	(1,939)
Net carrying amount at end of year	<b>29,415</b>	<b>12,600</b>	<b>42,015</b>

## Sydney Ferries

### Notes to the financial statements

for the year ended 30 June 2015

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

##### (a) Fair value hierarchy

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2015. Comparative information for non-financial assets has not been provided as permitted by the transitional provision of the new standard.

2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Property, plant and equipment (Note 7)</b>				
Land, buildings and improvements	-	-	7,723	7,723
Ferries	-	-	54,024	54,024
<b>Total property, plant and equipment</b>	-	-	<b>61,747</b>	<b>61,747</b>

2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Property, plant and equipment (Note 7)</b>				
Land, buildings and improvements	-	-	8,119	8,119
Ferries	-	-	64,308	64,308
<b>Total property, plant and equipment</b>	-	-	<b>72,427</b>	<b>72,427</b>

##### (b) Valuation techniques and input

Sydney Ferries obtains independent valuations for its non financial assets at least every 5 years. At the end of each reporting period, Sydney Ferries updates its assessment of the fair value of each category of non financial asset, taking into account the most recent independent valuation.

The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available, Sydney Ferries considers information from a variety of other sources including:

- Current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences.
- Depreciated replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits.
- Discounted cash flow projections based on realisable estimates of future cash flows.

All resulting fair value measurements were classified under level 3 of the fair value hierarchy. There were no changes in the valuation techniques used during the year.

##### (c) Valuation processes

Sydney Ferries 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. The last valuation of land was determined by Preston Rowe Paterson during 2013-14. The fair value of buildings has been determined by MDA Australia, and the last valuation of vessels was determined by RHAS valuers during the 2012-13 financial year.

The main level 2 and level 3 inputs used by the valuers for Property, plant and equipment are as follows:

- Land – rate per square metre of land area derived from the most comparable land sales evidence are estimated by Preston Rowe Paterson based on comparable industrial zoned land sales, adjusted for the specific attributes of the land and taking into consideration the implications of the existing lease over the property.
- Building – current building and civil engineering costs and techniques, measured cost plans were estimated by MDA Australia based on industry practice.



**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

**(c) Valuation processes (cont'd)**

- Vessels – depreciated 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 agreed criteria with management. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards

There were no transfers between level 1, 2 and 3 for recurring and non-recurring fair value measurements during the year.

**(d) Valuation input and relationships to fair value**

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

Description	Valuation Technique	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship between unobservable inputs and fair value measurement
Land	Direct comparison approach: this valuation method involves comparing the subject property to comparable sales on a rate per square metre of land area basis, and discount the estimated land value to account for the impact of the existing lease which will expire in July 2019.	Rate per square metre of land area	\$600 - \$700	The higher the rate, the higher the fair value.
		Discount Rate	8%	The higher the discount rate, the lower the fair value.
Building	Depreciated replacement cost: this valuation method involves application of straight-line depreciation to the building, taking into account the marked up replacement costs for each construction component.	Useful lives	40 years	The longer the useful life, the higher the fair value.
		mark up rate on replacement cost for each construction component	0.5%	The higher the rate, the higher the fair value.
		Adjusted replacement costs	\$15.482 million	The higher the replacement cost, the higher the fair value.
Ferries	Depreciated replacement cost: this valuation method involves application of straight-line depreciation to the vessels to best measure the remaining economic benefits embodied in the asset, taking into account lowest cost of replacing the vessel.	Useful lives	15 – 40 years	The longer the useful life, the higher the fair value.
		Optimised replacement costs per vessel	\$2.728 - \$24.530 million	The higher the optimised replacement cost, the higher the fair value.

There were no significant inter-relations between unobservable inputs that would materially affect the overall valuation.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

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

<b>2015</b>	<b>Land</b>	<b>Buildings</b>	<b>Ferries</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value as at 1 July 2014	2,700	5,419	64,308	72,427
Depreciation	-	(396)	(10,284)	(10,680)
<b>Fair value as at 30 June 2015</b>	<b>2,700</b>	<b>5,023</b>	<b>54,024</b>	<b>61,747</b>

<b>2014</b>	<b>Land</b>	<b>Buildings</b>	<b>Ferries</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value as at 1 July 2013	5,737	5,813	76,558	88,108
Revaluation increments/decrements recognised in Net result – included in the line item 'Other gains/ (losses)'	(1,484)	-	-	(1,484)
Revaluation increments/ decrements recognised in other comprehensive income – included in line item /Net increase / (decrease) in property, plant and equipment revaluation surplus'	(1,553)	(17)	-	(1,570)
Depreciation	-	(377)	(12,250)	(12,627)
<b>Fair value as at 30 June 2014</b>	<b>2,700</b>	<b>5,419</b>	<b>64,308</b>	<b>72,427</b>

**10. Trade and other payables**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued salaries, wages and on-costs	-	16
Trade creditors	-	126
Goods and services tax payable	-	72
Other creditors and accruals	704	592
<b>Total trade and other payables</b>	<b>704</b>	<b>806</b>

**11. Employee benefits**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Employee benefits - provisions</b>		
<b>Current</b>		
Provision for annual leave - short term	-	162
Provision for superannuation	-	-
Provision for long service leave - short term	-	265
<b>Total current employee benefits liabilities</b>	<b>-</b>	<b>427</b>
<b>(b) Aggregate employee benefit and related on-costs</b>		
Current	-	427
Accrued salaries, wages and on-costs	-	16
<b>Total employee benefits and related on-costs</b>	<b>-</b>	<b>443</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**12. Other liabilities**

	2015 \$'000	2014 \$'000
<b>Current</b>		
Liability for former employees' leave entitlements	5,780	6,666
<b>Total</b>	<b>5,780</b>	<b>6,666</b>

**13. Contingent liabilities**

Contingent liabilities represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is not remote.

Contractual and other claims against Sydney Ferries arise in the ordinary course of operations. The existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably. Sydney Ferries has had an assessment that it has one contingent liability in the amount of \$0.100 million at 30 June 2015. The contingent liability relates to a passenger injury claim from November 2010.

**14. Reconciliation of operating result to net cash from operating activities**

**(a) Reconciliation of operating result to net cash from operating activities**

	2015 \$'000	2014 \$'000
Net result	(1,599)	(10,086)
<b>Adjustments to reconcile net operating result to net cash from operating activities</b>		
Derecognition, impairment and write off of assets	(582)	4,270
Revaluation (increment) / decrement	-	1,484
Depreciation and amortisation of non-current assets	14,222	14,854
Other non cash items	(4,192)	(4,940)
<b>Changes in assets and liabilities</b>		
(Increase) / decrease in receivables	486	1,637
(Increase) / decrease in other assets	-	-
Increase / (decrease) in trade and other payables	(535)	(683)
Increase / (decrease) in employee entitlements	(427)	(403)
Increase / (decrease) in other liabilities	(886)	(1,685)
Increase / (decrease) in other provisions	-	(348)
<b>Net cash flows from operating activities</b>	<b>6,487</b>	<b>4,100</b>

**(b) Non cash financing and investing activities**

	2015 \$'000	2014 \$'000
Major Periodic Maintenance work by HCF	4,192	4,939
<b>Total</b>	<b>4,192</b>	<b>4,939</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

**15. Financial instruments**

Sydney Ferries' principal financial instruments are outlined below. These financial instruments arise directly from Sydney Ferries' operations or are required to finance Sydney Ferries' operations. Sydney Ferries does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Sydney Ferries' main risks arising from financial instruments are outlined below, together with the Sydney Ferries' objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

Risk management policies are established to identify and analyse the risks faced by Sydney Ferries, to set risk limits and control and monitor risks. Compliance with policies is reviewed by Management on a continuous basis. There have been no changes to Sydney Ferries' exposure to credit, liquidity, market and interest rate risk or objectives, policies and processes for managing the risk and the methods used to measure the risks from the prior year.

**(a) Financial instrument categories**

<b>Financial Assets</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount</b>	<b>Carrying Amount</b>
			<b>2015</b>	<b>2014</b>
			<b>\$'000</b>	<b>\$'000</b>
Class:				
Cash and cash equivalents	5	n/a	18,172	15,820
Receivables	6	Receivables <sup>1</sup>	89	530
<b>Financial Liabilities</b>	<b>Note</b>	<b>Category</b>		
Class:				
Trade and other payables	10	Financial liabilities <sup>2</sup>	657	734
Other liabilities	12	Financial liabilities	5,780	6,666

<sup>1</sup> Excludes statutory receivables and prepayments which are not within the scope of AASB 7.

<sup>2</sup> Excludes statutory payables and unearned revenue which are not within the scope of AASB 7.

**(b) Credit Risk**

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

Credit risk arises from the financial assets of Sydney Ferries, including cash and cash equivalents and receivables and authority deposits. No collateral is held by Sydney Ferries. Sydney Ferries has not granted any financial guarantees.

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

**(i) Cash**

Cash comprises cash on hand and bank balances with NSW Treasury Corporation (TCorp). Interest is earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee payable to NSW Treasury.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

**(b) Credit risk (cont'd)**

**(ii) Receivables**

At the end of the reporting period there were no significant concentrations of credit risk. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. Sydney Ferries' maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position.

	<b>Government</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2015</b>			
Receivables	89	-	89
<b>Total receivables</b>	<b>89</b>	<b>-</b>	<b>89</b>
<b>2014</b>			
Receivables	-	530	530
<b>Total receivables</b>	<b>-</b>	<b>530</b>	<b>530</b>

Sydney Ferries has a small amount of sundry debtors who operate on 14 days payment terms. This is reconciled and reviewed on a monthly basis. There are currently no debtors whose terms are past due or impaired whose terms have been renegotiated.

**(c) Liquidity Risk**

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

No assets have been pledged as collateral. Sydney Ferries' exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

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

**(i) Maturity analysis and interest rate exposure of financial liabilities**

Exposure to interest rate risk and the effective interest rates of financial liabilities, both recognised and unrecognised at balance date, are as follows: Trade creditors are non-interest bearing and are normally settled on 30 day terms.

	Financial instruments maturing in					
	Carrying amount \$'000	Contractual cash flows \$'000	1 year of less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000
<b>2015</b>						
<b>Financial liabilities</b>						
Payables	657	-	-	-	-	657
	<b>657</b>	-	-	-	-	<b>657</b>
<b>2014</b>						
<b>Financial liabilities</b>						
Payables	734	-	-	-	-	734
	<b>734</b>	-	-	-	-	<b>734</b>

**(d) Fair Value**

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

**(e) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Sydney Ferries has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which Sydney Ferries operates and the time frame for the assessment (that is, until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the end of the reporting period. The analysis is performed on the same basis as for 2014. The analysis assumes that all other variables remain constant.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2015

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

(e) **Market risk (cont'd)**

**Interest rate risk**

As Sydney Ferries has repaid all its borrowings, it does not have any interest rate risk exposure at the balance sheet date.

**Sensitivity Analysis**

	Carrying amount \$'000	-1% Surplus / deficit \$'000	Equity \$'000	+1% Surplus / deficit \$'000	Equity \$'000
<b>2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	18,172	(182)	(182)	182	182
<b>2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	15,820	(158)	(158)	158	158

**16. Events occurring after balance date**

From 1 July 2015, RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE).

TAHE is a dedicated asset manager which will eventually hold all the public transport assets for the State, including the ferry vessel assets currently held by Sydney Ferries.

The transfer of the Sydney Ferries assets to TAHE is at this stage not expected to occur until after 30 June 2017.

**End of audited financial statements**

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