Transport for NSW

Annual Report

Volume 2

18

19

NSW GOVERNMENT

Transport for NSW Annual Report – Volume 2

Overview

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

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

Accessibility

If you experience difficulty accessing this content, please contact Elise Naylor, Principal Manager Financial Accounting Management, 02 8202 3146 elise.naylor@transport.nsw.gov.au

NSW GOVERNMENT

Department of Transport

Consolidated Annual Financial Statements

for the year ended 30 June 2019

TABLE OF CONTENTS

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

(a) The accompanying financial statements have been prepared in accordance with:
- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- The requirements of the Public Finance and Audit Act 1983 (the Act) and Public Finance and Audit Regulation 2015; and
- The Treasurer's Directions issued under the Act;

(b) The statements exhibit a true and fair view of the financial position as at 30 June 2019 and financial performance of the Department of Transport and the consolidated entity for the year then ended; and

(c) There are no known circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Elizabeth Mildwater
Acting Secretary

Date: 11 October 2019

Department of Transport
Statement of comprehensive income
for the year ended 30 June 2019

	Notes	Consolidated Actual 2019 $'000	Consolidated Restated 2018 $'000	Parent Actual 2019 $'000	Parent Actual 2018 $'000
Expenses excluding losses					
Operating expenses					
Employee related expenses	2(a)	2,974,313	2,926,805	708	778
Other operating expenses	2(b)	3,487,614	3,414,321	257	251
Depreciation and amortisation	2(d)	3,556,799	3,451,565	-	-
Grants and subsidies	2(e)	1,120,856	898,123	-	-
Finance costs	2(f)	375,856	345,810	-	-
Other expenses	2(g)	1,297,703	1,052,908	-	-
Total expenses excluding losses		**12,813,141**	**12,089,532**	**965**	**1,029**
Revenue					
Appropriation	3(a)	12,167,574	12,262,646	-	-
Sale of goods and services	3(b)	2,294,311	2,286,848	-	-
Investment revenue	3(c)	216,106	173,392	-	-
Retained taxes, fees and fines	3(d)	28,768	50,403	-	-
Grants and contributions	3(e)	4,317,656	3,224,561	257	251
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	108,810	54,510	72	145
Personnel service revenue	3(g)	-	-	636	633
Other revenue	3(h)	311,443	391,710	-	-
Total revenue		**19,444,668**	**18,444,070**	**965**	**1,029**
Gain/(loss) on disposal	4	(296,226)	(190,411)	-	-
Other gains/(losses)	5	(499,520)	(212,424)	-	-
Impairment losses on financial assets		(618)	-	-	-
Net result		**5,835,163**	**5,951,703**	**-**	**-**
Other comprehensive income					
Items that may be reclassified subsequently to net result					
Net gains/(losses) in commodity swaps and foreign exchange		14,852	10,115	-	-
Items that will not be reclassified to net result					
Net increase/(decrease) in asset revaluation surplus	13	3,424,320	8,529,253	-	-
Remeasurement of defined benefit superannuation schemes	19	(304,084)	49,157	-	-
Total other comprehensive income		**3,135,088**	**8,588,525**	**-**	**-**
Total comprehensive income		**8,970,251**	**14,540,228**	**-**	**-**

The accompanying notes form part of these financial statements.

See Note 27 for details regarding restated prior year balances.

Department of Transport
Statement of financial position
as at 30 June 2019

	Notes	Consolidated Actual 2019 $'000	Consolidated Restated 2018 $'000	Consolidated Restated 1 July 2017 $'000	Parent Actual 2019 $'000	Parent Actual 2018 $'000
ASSETS						
Current assets						
Cash and cash equivalents	7	2,700,913	2,493,008	2,250,966	386	276
Receivables	8	1,183,938	1,100,022	892,945	100	158
Inventories	9	32,562	31,621	31,876	-	-
Financial assets at fair value	10	123,142	115,283	105,154	-	-
Non-current assets held for sale	11	31,472	1,644	1,018	-	-
Other financial assets	12	100,000	376,887	285,000	-	-
Total current assets		**4,172,027**	**4,118,465**	**3,566,959**	**486**	**434**
Non-current assets						
Receivables	8	2,717,870	1,590,674	428,919	-	-
Inventories	9	35,694	31,062	28,338	-	-
Financial assets at fair value	10	19,256	1,693	91	-	-
Other financial assets	12	237,226	223,998	391,461	-	-
Property plant & equipment						
Land and buildings	13	4,615,467	4,234,689	4,254,225	-	-
Plant and equipment	13	7,888,079	6,495,077	6,278,188	-	-
Infrastructure systems	13	145,686,334	134,011,741	121,276,737	-	-
Property, plant and equipment	13	158,189,880	144,741,507	131,809,150	-	-
Intangible assets	14	1,484,928	1,676,639	1,624,473	-	-
Other assets	15	3,479,730	4,929,187	3,565,763	-	-
Total non-current assets		**166,164,584**	**153,194,760**	**137,848,195**	**-**	**-**
Total assets		**170,336,611**	**157,313,225**	**141,415,154**	**486**	**434**
LIABILITIES						
Current liabilities						
Payables	17	2,756,443	2,860,098	2,524,608	274	240
Borrowings	18	334,901	263,695	420,278	-	-
Employee benefits	19	801,142	772,203	771,580	212	194
Other provisions	20	72,959	70,591	39,203	-	-
Other liabilities	21	642,538	459,901	432,529	-	-
Total current liabilities		**4,607,983**	**4,426,488**	**4,188,198**	**486**	**434**
Non-current liabilities						
Borrowings	18	7,178,585	5,926,176	5,713,517	-	-
Employee benefits	19	1,334,576	1,041,558	1,089,882	-	-
Other provisions	20	100,164	53,570	35,307	-	-
Other liabilities	21	628,923	824,658	828,504	-	-
Total non-current liabilities		**9,242,248**	**7,845,962**	**7,667,210**	**-**	**-**
Total liabilities		**13,850,231**	**12,272,450**	**11,855,408**	**486**	**434**
Net assets		**156,486,380**	**145,040,775**	**129,559,746**	**-**	**-**
EQUITY						
Accumulated funds		115,699,009	108,910,678	102,860,252	-	-
Reserves		34,159,774	31,407,083	23,183,200	-	-
Contributed capital		6,627,597	4,723,014	3,516,294	-	-
Total equity		**156,486,380**	**145,040,775**	**129,559,746**	**-**	**-**

The accompanying notes form part of these financial statements.

See Note 27 for details regarding restated prior year balances.

Department of Transport
Statement of changes in equity
for the year ended 30 June 2019

Consolidated	Notes	Accumulated funds $ '000	Asset revaluation surplus $ '000	Other reserves $ '000	Contributed Capital $ '000	Total equity $ '000
Restated balance at 1 July 2018		**108,910,678**	**31,405,349**	**1,734**	**4,723,014**	**145,040,775**
Change in accounting policies	8	2,420	-	-	-	2,420
Restated balance at 1 July 2018		**108,913,098**	**31,405,349**	**1,734**	**4,723,014**	**145,043,195**
Net result for the year		**5,835,163**	**-**	**-**	**-**	**5,835,163**
Other comprehensive income						
Net gains/(losses) in commodity swaps and foreign exchange		-	-	14,852	-	14,852
Net increase/(decrease) in asset revaluation surplus	13	-	3,424,320	-	-	3,424,320
Remeasurement of defined benefit superannuation schemes	19	(304,084)	-	-	-	(304,084)
Total other comprehensive income		**(304,084)**	**3,424,320**	**14,852**	**-**	**3,135,088**
Total comprehensive income for the year		**5,531,079**	**3,424,320**	**14,852**	**-**	**8,970,251**
Transactions with owners in their capacity as owners						
Transfers to/from reserves to accumulated funds		686,481	(686,481)	-	-	-
Equity transfers	29	568,351	-	-	-	568,351
Capital contribution from NSW Treasury		-	-	-	1,904,583	1,904,583
Balance at 30 June 2019		**115,699,009**	**34,143,188**	**16,586**	**6,627,597**	**156,486,380**
Balance at 1 July 2017		**105,006,075**	**23,191,581**	**(8,381)**	**3,516,294**	**131,705,569**
Restatement of infrastructure assets	27	(2,145,823)	-	-	-	(2,145,823)
Restated balance at 1 July 2017		**102,860,252**	**23,191,581**	**(8,381)**	**3,516,294**	**129,559,746**
Restated net result for the year		**5,951,703**	**-**	**-**	**-**	**5,951,703**
Other comprehensive income						
Net gains/(losses) in commodity swaps and foreign exchange		-	-	10,115	-	10,115
Net increase/(decrease) in asset revaluation surplus	13	-	8,529,253	-	-	8,529,253
Remeasurement of defined benefit superannuation schemes	19	49,157	-	-	-	49,157
Total other comprehensive income		**49,157**	**8,529,253**	**10,115**	**-**	**8,588,525**
Total comprehensive income for the year		**6,000,860**	**8,529,253**	**10,115**	**-**	**14,540,228**
Transactions with owners in their capacity as owners						
Transfers to/from reserves to accumulated funds		315,485	(315,485)	-	-	-
Equity transfers	29	(265,919)	-	-	-	(265,919)
Capital contribution from NSW Treasury		-	-	-	1,206,720	1,206,720
Restated balance at 30 June 2018		**108,910,678**	**31,405,349**	**1,734**	**4,723,014**	**145,040,775**

The accompanying notes form part of these financial statements.

See Note 27 for details regarding restated prior year balances.

Department of Transport
Statement of changes in equity
for the year ended 30 June 2019

Parent	Accumulated funds $ '000	Asset revaluation surplus $ '000	Other reserves $ '000	Total equity $ '000
Balance at 1 July 2018	**-**	**-**	**-**	**-**
Net result for the year	**-**	**-**	**-**	**-**
Other comprehensive income				
Net gains/(losses) in commodity swaps and foreign exchange	-	-	-	-
Net increase/(decrease) in asset revaluation surplus	-	-	-	-
Remeasurement of defined benefit superannuation schemes	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**
Transactions with owners in their capacity as owners				
Transfers to/from reserves to accumulated funds	-	-	-	-
Equity transfers	-	-	-	-
Balance at 30 June 2019	**-**	**-**	**-**	**-**
Balance at 1 July 2017	**-**	**-**	**-**	**-**
Net result for the year	**-**	**-**	**-**	**-**
Other comprehensive income				
Net gains/(losses) in commodity swaps and foreign exchange	-	-	-	-
Net increase/(decrease) in asset revaluation surplus	-	-	-	-
Remeasurement of defined benefit superannuation schemes	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**
Transactions with owners in their capacity as owners				
Transfers to/from reserves to accumulated funds	-	-	-	-
Equity transfers	-	-	-	-
Balance at 30 June 2018	**-**	**-**	**-**	**-**

The accompanying notes form part of these financial statements.

Department of Transport
Statement of cash flows
for the year ended 30 June 2019

	Notes	Consolidated Actual 2019 $'000	Consolidated Actual 2018 $'000	Parent Actual 2019 $'000	Parent Actual 2018 $'000
Cash flows from operating activities					
Payments					
Cash transfers to the Consolidated Fund		-	(46,767)	-	-
Employee related		(2,859,052)	(2,874,766)	(622)	(633)
Grants and subsidies		(772,429)	(696,515)	-	-
Finance costs		(411,406)	(373,601)	-	-
Payments to suppliers		(4,992,817)	(4,655,392)	(223)	(258)
Total payments		**(9,035,705)**	**(8,647,041)**	**(845)**	**(891)**
Receipts					
Appropriation		12,167,574	12,262,646	-	-
Sale of goods and services		2,776,111	2,775,116	-	-
Retained taxes, fees and fines		28,768	50,403	-	-
Interest received		72,574	45,041	-	-
Grants and contributions		4,260,856	3,132,095	257	-
Personnel services		-	-	698	819
Total receipts		**19,305,883**	**18,265,301**	**955**	**819**
Net cash flows from operating activities	24	**10,270,178**	**9,618,260**	**110**	**(72)**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment, intangible assets and other assets		68,449	202,270	-	-
Purchases of property, plant and equipment, intangible assets and other assets		(12,240,097)	(10,831,043)	-	-
Proceeds/(purchase) of financial assets		130,000	55,000	-	-
Other		155,234	46,903	-	-
Net cash flows from investing activities		**(11,886,414)**	**(10,526,870)**	**-**	**-**
Cash flows from financing activities					
Proceeds from borrowings and advances		56,172	111,651	-	-
Repayment of borrowings and advances		(76,056)	(105,331)	-	-
Capital contribution from NSW Treasury		1,904,583	1,206,720	-	-
Payment of finance lease liabilities		(60,558)	(53,680)	-	-
Net cash flows from financing activities		**1,824,141**	**1,159,360**	**-**	**-**
Net increase / (decrease) in cash		**207,905**	**250,750**	**110**	**(72)**
Opening cash and cash equivalents		2,493,008	2,250,966	276	348
Cash and cash equivalents transferred (out)/in as a result of administrative restructure		-	(8,708)	-	-
Closing cash and cash equivalents	7	**2,700,913**	**2,493,008**	**386**	**276**

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Department of Transport – Reporting entity

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

The Department of Transport as a reporting entity comprises all the entities under its control, namely:
Transport for NSW
Transport Service of New South Wales
Roads and Maritime Services
Sydney Ferries
State Transit Authority of NSW
Rail Corporation New South Wales
Sydney Trains
NSW Trains
Residual Transport Corporation
Sydney Metro

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

On 1 July 2018, Sydney Metro was constituted as a corporation under the Transport Administration Amendment (Sydney Metro) Act 2018. Transport for NSW has determined that Sydney Metro is an entity under its control from 1 July 2018 for financial reporting purposes. The purpose of Sydney Metro is to deliver safe and reliable metro passenger services in an efficient, effective and financially responsible manner; and to facilitate and carry out the orderly and efficient development of land in the locality of metro stations, depots and stabilising yards.

Rail Corporation New South Wales (RailCorp) will progressively transition to the Transport Asset Holding Entity (TAHE). TAHE may eventually hold additional public transport assets for the State, including public transport assets currently held by entities controlled by the consolidated entity. The transfer of assets is intended to occur progressively over the next couple of years.

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

These consolidated financial statements of Department of Transport for the year ended 30 June 2019 were authorised for issue by the Secretary on the date the accompanying statement was signed.

(b) Principles of consolidation

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

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

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

(c) Basis of preparation

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

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

Property, plant and equipment, assets (or disposal groups) held for sale and certain financial assets and liabilities are measured at fair value. Certain bus contracts are classified as finance leases in accordance with AASB 117 Leases and all finance leased bus assets are carried at fair value. Borrowings are initially measured at the fair value of the consideration received and subsequently using the effective interest method. Other financial report items are prepared in accordance with the historical cost convention except where specified otherwise. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(d) Critical accounting estimates, judgements and assumptions

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

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

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

- Property, plant and equipment - note 13.
- Other assets - note 15.
- Employee benefits - note 19.

(e) Statement of compliance

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

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

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

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

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

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

(g) Foreign currency translation

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

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

(h) Business combinations

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

The consideration transferred by the consolidated 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 consolidated 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.

(i) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. Comparatives have been adjusted to reflect prior period adjustments. Refer to Note 27.

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

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

Rail services	– Rail Corporation New South Wales – Sydney Trains – NSW Trains – Transport for NSW manages light rail services and the country rail network – Sydney Metro
Buses and related services	– State Transit Authority of NSW – Transport for NSW manages bus transport services in the metropolitan, outer metropolitan and rural and regional areas of New South Wales

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

(j) Disaggregation of financial information by main activities of the consolidated entity (cont'd)

Road and maritime services	– Roads and Maritime Services
Ferry services	– Sydney Ferries – Transport for NSW manages ferry services performed by private operators
Integrated transport services	– Department of Transport – Transport for NSW – Transport Service of New South Wales

Integrated transport services activity is responsible for:

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

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

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

(iii) Effective for the first time in 2019

The consolidated entity has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification, measurement, derecognition, impairment and hedge accounting of financial instruments. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures.

The consolidated entity applied AASB 9 retrospectively but has not restated the comparative information, which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The hedge accounting requirements of AASB 9 have been applied prospectively.

The effect of adopting AASB 9 on the statement of financial position as at 1 July 2018 (the date of initial application of AASB 9) is not material.

(a) Classification and measurement of financial instruments

On 1 July 2018, the entity's management has assessed which business models apply to the financial assets held by the consolidated entity and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a significant impact to the consolidated entity. There were some minor reclassifications of financial assets in the current year as follows:

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

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

(i) Effective for the first time in 2019 (cont'd)

- Trade receivables and other financial assets classified as 'Loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost. This reclassification had no impact on the carrying amount.
- Financial assets previously carried at fair value under AASB 139 continue to be measured at fair value under AASB 9.
- Other financial assets previously measured at amortised cost under AASB 139 continue to be measured at amortised cost under AASB 9.
- There are no changes in the classification and measurement for the entity's financial liabilities.

Under AASB 9, subsequent measurement of debt financial assets is based on assessing the contractual cash flow characteristics of the debt instrument and the business model for managing the instrument.

The assessment of the business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

In summary, upon the adoption of AASB 9, the consolidated entity had the following required or elected reclassifications as at 1 July 2018:

	Measurement category		Carrying amount		
	AASB 139	AASB 9	Original $'000	New $'000	Difference $'000
Financial assets					
Receivables	Loans and receivables (at amortised cost)	Amortised cost	724,576	724,576	-
Financial assets at fair value	FVPL[1] / FVPL designated upon initial recognition	FVPL	116,976	116,976	-
Other financial assets	Loans and receivables / held to maturity investments (at amortised cost)	Amortised cost	600,885	600,885	-
Financial liabilities					
Payables	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	3,389,859	3,389,859	-
Borrowings	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	6,167,682	6,167,682	-
Financial liabilities at fair value	FVPL	FVPL	2,189	2,189	-

[1] FVPL – Fair value through profit or loss.

(b) Impairment

The adoption of AASB 9 has changed the accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires recognition of an allowance for ECLs for all debt instruments not held at FVPL. There is no material impact to the consolidated entity on adopting the new impairment model.

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

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

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

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

The consolidated entity is currently undertaking an assessment of the impact of the following standards:

- AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 1058 Income of Not-for-Profits Entities
    - AASB 15 Revenue from Contracts with Customers, including the amendments AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8 will apply to annual reporting periods beginning on or after 1 January 2019. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods and services is transferred to the customer at amounts that reflect the consideration to which the consolidated entity expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 Revenue (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.
    - AASB 1058 Income of Not-for-profit Entities is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 Contributions (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, the consolidated entity will need to determine whether a transaction is consideration received below fair value principally to enable the consolidated entity to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).
    - The standards will result in the identification of separate performance obligations that will change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies. The adoption of these standards will primarily result in the recognition of increased liabilities reported on the Statement of financial position, predominately consisting of contract liabilities.
    - Under AASB 1058, the consolidated entity will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by the consolidated entity.
    - The consolidated entity will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.
    - Based on the impact assessments the consolidated entity has undertaken on currently available information, it is estimated that the adoption of AASB 15 and AASB 1058 will result in the recognition of net contractual assets (receivable) of $60.6 million, with a corresponding increase in accumulated funds of $60.6 million.
- AASB 16 Leases will apply to annual reporting periods beginning on or after 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The application of this standard is expected to have a significant transitional impact as a result of operating leases, except those that are short term and low value leases, being brought onto the balance sheet.
    - The consolidated entity will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. The Department will also adopt the practical expedient whereby the fair value of the right-of use asset will be the same as the lease liability at 1 July 2019.
    - Based on the impact assessments on currently available information, it is estimated that additional lease liabilities of $516.8 million, right-of-use assets of $515.2 million and sublease receivable assets of $1.6 million will be recognised as at 1 July 2019 for leases where the consolidated entity is a lessee or an intermediate lessor. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the Statement of comprehensive income is expected to be $2.7 million.

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

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

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

- AASB 1059 Service Concession Arrangements: Grantors will apply to annual reporting periods beginning on or after 1 January 2020. The standard requires the grantor to recognise a service concession asset, at current replacement cost, in a service concession arrangement where it controls the asset. A corresponding liability is also recognised depending on the nature of the consideration exchanged. The consolidated entity is currently undertaking a detailed assessment of the impact of AASB 1059 for all arrangements with public and private sector entities.

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

Standard	Applicable to annual reporting periods beginning on or after
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	1 January 2019
AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2019
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020

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

2. Expenses excluding losses

(a) Employee related expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Salaries and wages (including annual leave)	2,370,161	2,342,639	575	564
Superannuation - defined benefit plans	49,058	67,173	-	-
Superannuation - defined contribution plans	172,971	176,586	24	34
Long service leave	153,432	86,473	72	145
Workers' compensation insurance	33,086	27,201	1	3
Payroll tax and fringe benefit tax	155,317	155,664	36	32
Redundancy payments	38,815	69,960	-	-
Other	1,473	1,109	-	-
Employee related expenses	**2,974,313**	**2,926,805**	**708**	**778**

Employee related costs of $618.4 million (2018: $566.2 million) (parent entity: nil (2018: nil)) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

2. Expenses excluding losses (cont'd)

(b) Other operating expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Auditor's remuneration - audit of financial statements	2,933	2,717	257	251
Advertising and marketing	38,568	53,372	-	-
Cashback refund - M4/M5	118,159	114,208	-	-
Cleaning waste and pest control	46,828	47,194	-	-
Communications	42,592	45,460	-	-
Corporate management fees	175,167	188,178	-	-
Electricity, gas and water	158,976	160,404	-	-
Fleet hire and leasing charges including access fees	94,193	99,802	-	-
Fuel costs	62,641	69,505	-	-
General expenses	274,300	221,628	-	-
Information technology	300,975	289,514	-	-
Insurance	55,089	60,276	-	-
Internal audit fees	1,027	1,220	-	-
Land and buildings remediation	14,580	8,213	-	-
Legal services	22,199	27,844	-	-
External maintenance costs	774,074	718,207	-	-
Materials	178,334	169,118	-	-
Office expenses	60,671	70,184	-	-
Consultants and other contractors	790,427	784,043	-	-
Payments to councils and external bodies	21,899	30,089	-	-
Operating lease rental expense	82,720	87,550	-	-
Security costs	35,656	33,413	-	-
Sydney Harbour Tunnel operating expenses	33,347	33,918	-	-
Taxes, rates and related charges	6,416	7,692	-	-
Travel expenses	18,621	17,378	-	-
Royalties and commissions	49,816	46,149	-	-
Special number plates concession fees	27,406	27,045	-	-
Other operating expenses	**3,487,614**	**3,414,321**	**257**	**251**

General expenses of $274.3 million (2018: $221.6 million) includes bus services for rail replacement, training and development, plant and equipment hire lease, rail freight and haulage, credit card fees, amortisation of motorways prepayment.

2018 had $22.8 million outsourcing mobile speed camera program in general expense reclassified to consultants and other contractors.

A reclassification of prior year expenses in relation to maintenance occurred in the current year to align expenses with their nature. $822.0 million of maintenance expense have been reclassified to other operating expenses in the comparative. This reclassification was primarily to consultants and other contractors, materials, general expenses, fleet hire and leasing charges including access fees and information technology. The maintenance disclosure in Note 2(c) has been updated to reflect this.

2. Expenses excluding losses (cont'd)

(c) Maintenance

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

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Operational maintenance		769,380	718,831	-	-
Operating lease rental expenses		51,029	37,378	-	-
Corporate services, information technology and telecommunications		62,959	49,411	-	-
Contractors and materials		433,991	437,672	-	-
Other		77,832	92,631	-	-
Maintenance expense		**1,395,191**	**1,335,923**	**-**	**-**
Employee related maintenance expense included in note 2(a)		460,251	411,841	-	-
Total maintenance expense including employee related		**1,855,442**	**1,747,764**	**-**	**-**

(d) Depreciation and amortisation

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Infrastructure systems:					
Road and maritime infrastructure systems		1,509,729	1,559,430	-	-
Rail infrastructure systems		1,221,380	1,195,391	-	-
Buildings:					
Buildings		39,444	31,606	-	-
Plant and equipment:					
Rolling stock		235,481	230,083	-	-
Ferries		10,688	11,114	-	-
Buses		42,082	45,837	-	-
Plant and equipment		184,992	99,349	-	-
Finance leased buses		90,682	82,125	-	-
Depreciation	13	**3,334,478**	**3,254,935**	**-**	**-**
Amortisation:					
Intangible assets		222,321	196,630	-	-
Amortisation	14	**222,321**	**196,630**	**-**	**-**
Depreciation and amortisation		**3,556,799**	**3,451,565**	**-**	**-**

Please refer to Note 13 and 14 for recognition and measurement policies on depreciation and amortisation.

Depreciation has been restated to be $61.5 million lower in the prior year. Refer to Note 27.

2. Expenses excluding losses (cont'd)

(e) Grants and subsidies

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Taxi Transport Subsidy Scheme	42,159	40,693	-	-
Community transport groups	88,555	79,465	-	-
Private Vehicle Conveyance	20,600	21,985	-	-
Carparks and interchanges	6,622	4,762	-	-
Grants to local councils - maintenance of transport infrastructure	478,119	422,018	-	-
Grants to local councils - transfer of roads and bridges	339,259	199,364	-	-
National transport regulators	6,893	10,020	-	-
Road safety grant to NSW Police	36,527	26,529	-	-
Others	77,762	50,587	-	-
National Heavy Vehicle Regulator[1]	701	42,700	-	-
Point to point assistance package[2]	23,659	-	-	-
Grants and subsidies	**1,120,856**	**898,123**	**-**	**-**

[1]Roads and Maritime Services is no longer making a contribution to the National Heavy Vehicle Regulator since December 2018. Instead Heavy Vehicle Regulatory Charges are passed on directly from Roads and Maritime Services to the National Heavy Vehicle Regulator.

[2]Point to point assistance was provided to taxi licence holders in 2017 following the NSW Government's reforms to the taxi hire and car hire industry. The Transitional Assistance Payment Scheme was re-opened from July to October 2018.

(f) Finance costs

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Finance lease interest charges	277,731	253,158	-	-
Interest expenses on NSW TCorp borrowings	90,338	90,744	-	-
Interest expense on non-current provisions and liabilities	451	671	-	-
Other finance costs	7,336	1,237	-	-
Finance costs	**375,856**	**345,810**	**-**	**-**

Finance costs of $4.4 million (2018: nil) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

2. Expenses excluding losses (cont'd)

(g) Other expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Bus contract payments - metropolitan and outer metro bus operators[1]	729,481	525,075	-	-
Bus contract payments - rural and regional bus operators	410,824	393,354	-	-
Major events - hire of bus and rail services	4,673	5,355	-	-
Ferry contract payments	87,636	82,980	-	-
Light rail contract payments	43,124	38,042	-	-
Nightride bus services	6,451	8,102	-	-
Metro contract payments[2]	15,514	-	-	-
Other expenses	**1,297,703**	**1,052,908**	**-**	**-**

[1]Metropolitan bus operations for the Southern region (region 6) previously carried out by State Transit Authority under contract with Transport for NSW (and therefore previously eliminated on consolidation) are now carried out by Transit System West Services Pty Limited since 1 July 2018.

[2]Northwest Rapid Transit commenced Metro operations in May 2019 under contract with Sydney Metro.

Recognition and measurement

(i) Employee related expenses

Employee related expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies. For further details on the recognition and measurement of employee related expenses refer to employee benefits note 19.

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

(ii) Other operating expenses and maintenance

Other operating expenses generally represent the day-to-day running costs incurred in the normal operations of the consolidated entity. The recognition and measurement policy for non-employee provision expenses is detailed in note 20.

External maintenance costs relate principally to rail, road and maritime infrastructure systems and do not include employee-related expenses (refer also to note 13(ix)).

(iii) Grants and subsidies

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

(iv) 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. Other entities controlled by the Department that are classified as non-general government sector capitalise borrowing costs that meet the definition of qualifying assets. Other borrowing costs are expensed as incurred.

2. Expenses excluding losses (cont'd)

(v) Insurance

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

(vi) Other expenses

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

3. Revenue

Summary of compliance with financial directives

(a) Appropriation

	Notes	Consolidated 2019 $'000 Appropriation	Consolidated 2019 $'000 Expenditure	Consolidated 2018 $'000 Appropriation	Consolidated 2018 $'000 Expenditure
Original budget per Appropriation Act/expenditure		11,317,874	12,167,574	12,766,708	12,262,646
Transfers to/from another entity (s26 & s27 of Appropriation Act)		967,048	-	(5,000)	-
Total appropriations/ expenditure/ net claim on Consolidated Fund (includes transfer payments)		**12,284,922**	**12,167,574**	**12,761,708**	**12,262,646**
Appropriation drawn down			12,167,574		12,262,646

	Consolidated 2019 $'000	Consolidated 2018 $'000
Appropriation (per Statement of comprehensive income)	**12,167,574**	**12,262,646**
Comprising:		
Recurrent appropriations	11,140,913	10,523,134
Capital appropriations	1,026,661	1,739,512
	12,167,574	**12,262,646**

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

3. Revenue (cont'd)

(b) Sale of goods and services

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Passenger service revenue	1,370,190	1,291,126	-	-
Toll revenue including E-tag	163,425	162,862	-	-
Number plates	150,433	149,628	-	-
Fees earned from road and maritime infrastructure assets	71,805	72,439	-	-
Works and services including construction contract revenue	44,745	64,403	-	-
Third party insurance data access charges	4,539	5,183	-	-
Advertising	59,599	61,494	-	-
Publications	7,695	8,991	-	-
Fees for services rendered including salary recoupments	134,778	185,294	-	-
Access fees	176,228	171,887	-	-
Other	110,874	113,541	-	-
Sale of goods and services	**2,294,311**	**2,286,848**	**-**	**-**

Other revenue of $110.9 million (2018: $113.5 million) includes commissions, catering, sale of scrap, cost recovery from other states for running rail services and sales of rail and quarry products.

(c) Investment revenue

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Rental Income	114,848	94,899	-	-
NSW TCorp Hour-Glass Investment facilities at fair value	8,049	6,708	-	-
Interest income from financial assets not at fair value	74,221	53,490	-	-
Interest on finance lease receivables	1,389	1,539	-	-
Amortisation of zero interest Sydney Harbour Tunnel loan	11,247	10,532	-	-
Ferry lease revenue	6,352	6,224	-	-
Investment revenue	**216,106**	**173,392**	**-**	**-**

Rental income related to other properties which are primarily held to support the core transport functions of the consolidated entity. The leasing of parts of these properties ($114.8 million (2018: $94.9 million)) is therefore, incidental to the core function of the consolidated entity. Accordingly, these properties are reported as property, plant and equipment (note 13) in the Statement of financial position.

(d) Retained taxes, fees and fines

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Fines	22,255	24,993	-	-
Insurance claims and fees	6,513	25,410	-	-
Retained taxes, fees and fines	**28,768**	**50,403**	**-**	**-**

3. Revenue (cont'd)

(e) Grants and contributions

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Community transport grants	73,418	71,732	-	-
NSW government agencies - others (non-transport)	111,349	362,943	-	-
Private firms and individuals	11,575	10,259	-	-
Grants from Transport for NSW	-	-	257	251
Crown Entity	4,059,081	2,777,580	-	-
Local councils	45,818	2,026	-	-
Other government agencies	16,415	21	-	-
Grants and contributions	**4,317,656**	**3,224,561**	**257**	**251**

Community transport grants of $73.4 million (2018: $71.7 million) represent grants received from the Department of Family and Community Services for the Commonwealth Home Support Program.

Grants of $4,059.1 million (2018: $2,777.6 million) from the Crown Entity were provided for: Sydney Metro City and Southwest project funded by Restart NSW $1,927.2 million (2018: $1,484.7 million), Roads and Maritime Services capital program $1681.2 million (2018: $889.7 million), Northern Beaches B-line project $84.3 million (2018: $200.8 million), Parramatta Light Rail $253.3 million (2018: $123.6 million), redundancies $42.0 million (2018: $67.4 million) and other projects $71.0 million (2018: $11.3 million).

Other NSW Government grants of $111.3 million (2018: $362.9 million) include a capital contribution of nil (2018: $252.5 million; the amount in the prior year has been restated to be $92.5 million higher, refer to Note 27) from Urban Growth NSW Development Corporation for the Sydney Metro City & South West project; $74.2 million (2018: $88.3 million) of Natural Disaster local council recoveries from the Office of Environmental Management, $18.0 million (2018: nil) of Botany Bay Ferry Infrastructure from Office of Environment and Heritage, and $14.0 million (2018: nil) from Landcom for revenue recoupment of works performed.

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

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Superannuation - defined benefit	13,950	13,028	-	-
Long service leave	94,137	40,691	72	145
Payroll tax	723	791	-	-
Acceptance by the Crown Entity of employee benefits and other liabilities	**108,810**	**54,510**	**72**	**145**

(g) Personnel service revenue

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Fee for personnel services	-	-	636	633
Personnel service revenue	**-**	**-**	**636**	**633**

3. Revenue (cont'd)

(h) Other revenue

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Value of emerging interests of private sector provided infrastructure	15	270,836	260,439	-	-
Amortisation of deferred revenue on private sector provided infrastructure		19,032	19,030	-	-
M2 and Eastern Distributor promissory notes		1,782	5,000	-	-
Recognition of assets[1]		13,461	100,750	-	-
Other		6,332	6,491	-	-
Other revenue		**311,443**	**391,710**	**-**	**-**

[1] Assets recognised for the first time were valued at $13.5 million (2018: $100.7 million). In 2018 the air space stratum above Wynyard Walk on Clarence Street that was recognised as a right of use intangible asset for the first time. The asset was subsequently divested in October 2017 for a consideration of $49.7 million to the private sector who acquired use of the airspace for a period of 99 years. The fair value of the asset recognised by the consolidated entity was equivalent to the consideration received.

Recognition and measurement

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

(i) Parliamentary appropriations and contributions

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

(ii) Sale of goods and services

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

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

(iii) Retained taxes, fines and fees

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

(iv) Investment revenue

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

3. Revenue (cont'd)

Recognition and measurement (cont'd)

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 consolidated entity and the contractual obligations have been satisfied. In kind contributions (e.g. roads and bridges from local councils) are measured at fair value on transfer and recognised as property, plant and equipment (note 13).

(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 15).

4. Gain/(loss) on disposal

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Proceeds from asset sales		628,966	178,672	-	-
Net carrying amount of property, plant and equipment disposed	13	(923,804)	(282,001)	-	-
Net carrying amount of intangible assets disposed	14	(1,235)	(84,931)	-	-
Net carrying amount of receivables disposed		-	(5,228)	-	-
Gain/(loss) on disposal of non-current assets held for sale		(153)	3,077	-	-
Gain/(loss) on disposal		**(296,226)**	**(190,411)**	**-**	**-**

Proceeds from asset sales and Net carrying amount of property, plant and equipment disposed have been restated to be $88.3 million and ($142.7 million), respectively, higher than in the prior year. Refer to Note 27.

5. Other gains/(losses)

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Revaluation increment/(decrement)	13	(182,174)	(3,586)	-	-
Impairment losses on property, plant and equipment	13	(277,983)	(198,594)	-	-
Property, plant and equipment		**(460,157)**	**(202,180)**	**-**	**-**
Allowance for impairment of receivables	8	(618)	(7,689)	-	-
Receivables		**(618)**	**(7,689)**	**-**	**-**
Impairment reversals/(losses)	14	(2,005)	(1,216)	-	-
Realised gains/(losses) on financial instruments		94	166	-	-
Derivative gains/(losses)		3,896	(1,505)	-	-
Realised gains/(losses) on T-Corp borrowings		(40,730)	-	-	-
Other		**(38,745)**	**(2,555)**	**-**	**-**
Other gains/(losses)		**(499,520)**	**(212,424)**	**-**	**-**

[1]The Treasurer approved the transfer of T-Corp borrowings of $571.0 million (2018: nil) from Transport for NSW to the Crown Finance Entity on 26 June 2019 (refer note 29). Losses of $40.7 million were realised upon transfer representing the difference between the carrying amount of the debt (measured at amortised cost) and the fair value at the date of transfer.

6. Service Group Statements

Consolidated	**Rail services**		**Buses and related services**		**Road and maritime services**		**Ferry services**		**Integrated transport services**		**Total**	
Expenses and Income	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Expenses excluding losses												
Operating Expenses												
Employee related expenses	1,379,407	1,350,958	-	-	-	-	-	-	1,594,906	1,575,847	2,974,313	2,926,805
Other operating expenses	1,539,441	1,504,438	114,124	143,939	1,180,040	1,265,846	1,989	896	652,020	499,202	3,487,614	3,414,321
Depreciation and amortisation	1,549,887	1,486,988	135,119	135,170	1,578,906	1,632,300	12,317	14,840	280,570	182,267	3,556,799	3,451,565
Grants and subsidies	312,951	4,762	174,973	142,142	563,449	683,271	1,778	-	67,705	67,948	1,120,856	898,123
Finance costs	271,324	240,140	53,791	65,229	21,834	25,583	-	-	28,907	14,858	375,856	345,810
Other expenses	15,615	38,049	1,194,198	931,563	257	274	87,633	83,022	-	-	1,297,703	1,052,908
Total expenses excluding losses	**5,068,625**	**4,625,335**	**1,672,205**	**1,418,043**	**3,344,486**	**3,607,274**	**103,717**	**98,758**	**2,624,108**	**2,340,122**	**12,813,141**	**12,089,532**
Revenue												
Appropriation	3,116,837	3,579,154	1,744,431	1,434,951	5,907,382	6,845,266	498	91,551	1,398,426	311,724	12,167,574	12,262,646
Sale of goods and services	1,304,538	1,243,635	242,996	319,296	643,397	675,489	-	-	103,380	48,428	2,294,311	2,286,848
Investment revenue	87,570	61,404	851	2,065	99,334	95,100	6,939	6,790	21,412	8,033	216,106	173,392
Retained taxes, fees and fines	7,188	8,436	110	218	21,470	41,530	-	-	-	219	28,768	50,403
Grants and contributions	2,264,099	1,860,787	84,300	200,800	1,859,488	1,010,788	-	-	109,769	152,186	4,317,656	3,224,561
Acceptance by the Crown Entity of employee benefits and other liabilities	255	-	-	-	-	-	-	-	108,555	54,510	108,810	54,510
Other revenue	9,974	56,909	-	-	295,138	328,006	6,331	5,196	-	1,599	311,443	391,710
Total revenue	**6,790,461**	**6,810,325**	**2,072,688**	**1,957,330**	**8,826,209**	**8,996,179**	**13,768**	**103,537**	**1,741,542**	**576,699**	**19,444,668**	**18,444,070**
Gain/(loss) on disposal	(342,066)	(169,572)	554	3,441	(1,661)	2,895	-	-	46,947	(27,175)	(296,226)	(190,411)
Other gains/(losses)	(174,194)	(55,089)	(9,944)	-	(216,006)	(594,961)	(16,510)	(3,840)	(82,866)	441,466	(499,520)	(212,424)
Impairment losses on financial assets	(128)	-	-	-	(490)	-	-	-	-	-	(618)	-
Net result	**1,205,448**	**1,960,329**	**391,093**	**542,728**	**5,263,566**	**4,796,839**	**(106,459)**	**939**	**(918,485)**	**(1,349,132)**	**5,835,163**	**5,951,703**
Net gains/(losses) in commodity swaps and foreign exchange	15,142	10,115	-	-	-	-	-	-	(290)	-	14,852	10,115
Net increase/(decrease) in asset revaluation surplus	(259,320)	1,236,542	-	18,393	3,683,640	7,274,318	-	-	-	-	3,424,320	8,529,253
Remeasurement of defined benefit superannuation schemes	(275,376)	42,563	-	-	-	-	-	-	(28,708)	6,594	(304,084)	49,157
Total other comprehensive income	**(519,554)**	**1,289,220**	**-**	**18,393**	**3,683,640**	**7,274,318**	**-**	**-**	**(28,998)**	**6,594**	**3,135,088**	**8,588,525**
Total comprehensive income	**685,894**	**3,249,549**	**391,093**	**561,121**	**8,947,206**	**12,071,157**	**(106,459)**	**939**	**(947,483)**	**(1,342,538)**	**8,970,251**	**14,540,228**

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

The following lines in 2018 have been restated: 1) Grants and contributions in Rail services - $92.5 million higher; 2) Depreciation and amortisation in Rail services - $61.5 million lower; 3) Gain/(loss) on disposal in Rail services - $54.4 million higher in loss. Refer to Note 27.

6. Service Group Statements (cont'd)

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
Administered expenses and income	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Administered expenses												
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	-	-	5,823	5,892	5,823	5,892
Administered expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,823**	**5,892**	**5,823**	**5,892**
Administered income												
Transfer receipts - taxes, fees and fines	-	-	-	-	3,742,462	3,668,529	-	-	7,507	7,683	3,749,969	3,676,212
Other administered activities	-	-	-	-	-	-	-	-	-	-	-	-
Administered income	**-**	**-**	**-**	**-**	**3,742,462**	**3,668,529**	**-**	**-**	**7,507**	**7,683**	**3,749,969**	**3,676,212**
Administered income less expenses	**-**	**-**	**-**	**-**	**3,742,462**	**3,668,529**	**-**	**-**	**1,684**	**1,791**	**3,744,146**	**3,670,320**

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

6. Service Group Statements (cont'd)

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
Assets and liabilities	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets												
Current assets												
Cash and cash equivalents	693,525	707,040	85,080	65,984	1,021,551	886,836	45,186	37,754	855,571	795,394	2,700,913	2,493,008
Receivables	283,683	220,291	727	7,000	660,285	560,260	682	-	238,561	312,471	1,183,938	1,100,022
Inventories	19,583	17,778	7,932	9,081	5,047	4,762	-	-	-	-	32,562	31,621
Financial assets at fair value	3,519	3,276	-	-	119,614	111,565	-	-	9	442	123,142	115,283
Non-current assets held for sale	31,169	24	-	499	303	1,121	-	-	-	-	31,472	1,644
Other financial assets	100,000	200,000	-	-	-	146,887	-	-	-	30,000	100,000	376,887
Total current assets	**1,131,479**	**1,148,409**	**93,739**	**82,564**	**1,806,800**	**1,711,431**	**45,868**	**37,754**	**1,094,141**	**1,138,307**	**4,172,027**	**4,118,465**
Non-current assets												
Receivables	755,913	163,858	-	-	1,961,957	1,426,816	-	-	-	-	2,717,870	1,590,674
Inventories	35,694	31,062	-	-	-	-	-	-	-	-	35,694	31,062
Financial assets at fair value	19,256	1,620	-	-	-	-	-	-	-	73	19,256	1,693
Other financial assets	-	-	-	-	236,021	222,992	-	-	1,205	1,006	237,226	223,998
Land and buildings	623,637	213,543	299,408	299,317	3,503,038	3,650,009	8,548	8,946	180,836	62,874	4,615,467	4,234,689
Plant and equipment	5,930,568	4,790,163	1,036,807	950,481	114,348	135,488	76,759	92,723	729,597	526,222	7,888,079	6,495,077
Infrastructure systems	37,687,684	42,465,322	148,381	121,131	104,465,465	85,596,981	-	443	3,384,804	5,827,864	145,686,334	134,011,741
Property, plant and equipment	**44,241,889**	**47,469,028**	**1,484,596**	**1,370,929**	**108,082,851**	**89,382,478**	**85,307**	**102,112**	**4,295,237**	**6,416,960**	**158,189,880**	**144,741,507**
Intangible assets	554,010	592,408	11,340	7,096	230,781	156,494	24,255	26,887	664,542	893,754	1,484,928	1,676,639
Other assets	1,141,077	2,853,770	-	-	2,338,653	2,075,417	-	-	-	-	3,479,730	4,929,187
Total non-current assets	**46,747,839**	**51,111,746**	**1,495,936**	**1,378,025**	**112,850,263**	**93,264,197**	**109,562**	**128,999**	**4,960,984**	**7,311,793**	**166,164,584**	**153,194,760**
Total assets	**47,879,318**	**52,260,155**	**1,589,675**	**1,460,589**	**114,657,063**	**94,975,628**	**155,430**	**166,753**	**6,055,125**	**8,450,100**	**170,336,611**	**157,313,225**

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

The following lines in 2018 have been restated: 1) Receivables in Rail services - $180.7 million higher; 2) Infrastructure systems in Rail Services - $2,084.3 million lower; 3) Infrastructure systems in Rail services - $142.7 million lower. Refer to Note 27.

6. Service Group Statements (cont'd)

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
Assets and liabilities (cont'd)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities												
Current liabilities												
Payables	613,037	372,791	46,466	23,889	1,203,128	1,274,207	1,671	195	892,141	1,189,016	2,756,443	2,860,098
Borrowings	161,424	30,464	105,418	107,272	68,059	60,558	-	-	-	65,401	334,901	263,695
Employee benefits	517,482	479,873	-	-	269	-	-	-	283,391	292,330	801,142	772,203
Other provisions	19,260	34,793	3,966	3,003	37,233	16,500	-	-	12,500	16,295	72,959	70,591
Other liabilities	181,148	11,858	-	146	246,406	270,960	3,212	3,684	211,772	173,253	642,538	459,901
Total current liabilities	**1,492,351**	**929,779**	**155,850**	**134,310**	**1,555,095**	**1,622,225**	**4,883**	**3,879**	**1,399,804**	**1,736,295**	**4,607,983**	**4,426,488**
Non-current liabilities												
Borrowings	6,235,244	4,511,000	766,826	869,141	176,515	244,575	-	-	-	301,460	7,178,585	5,926,176
Employee benefits	1,133,632	854,495	-	-	-	-	-	-	200,944	187,063	1,334,576	1,041,558
Other provisions	30,495	10,656	441	274	60,228	26,103	-	-	9,000	16,537	100,164	53,570
Other liabilities	627	189,995	-	-	628,251	634,618	-	-	45	45	628,923	824,658
Total non-current liabilities	**7,399,998**	**5,566,146**	**767,267**	**869,415**	**864,994**	**905,296**	**-**	**-**	**209,989**	**505,105**	**9,242,248**	**7,845,962**
Total liabilities	**8,892,349**	**6,495,925**	**923,117**	**1,003,725**	**2,420,089**	**2,527,521**	**4,883**	**3,879**	**1,609,793**	**2,241,400**	**13,850,231**	**12,272,450**
Net assets	**38,986,969**	**45,764,230**	**666,558**	**456,864**	**112,236,974**	**92,448,107**	**150,547**	**162,874**	**4,445,332**	**6,208,700**	**156,486,380**	**145,040,775**

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

7. Cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Cash at bank and on hand	2,651,803	2,426,317	386	276
Public revenue bank account	24,938	42,875	-	-
Security deposits	24,172	23,816	-	-
Cash and cash equivalents	**2,700,913**	**2,493,008**	**386**	**276**

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

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

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Cash and cash equivalents (per Statement of financial position)	2,700,913	2,493,008	386	276
Closing cash and cash equivalents (per Statement of cash flows)	**2,700,913**	**2,493,008**	**386**	**276**

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

Credit standby arrangements and loan facilities with NSW TCorp

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

Restricted cash and cash equivalents

Cash and cash equivalent assets include restricted cash of $520.7 million (2018: $458.3 million) (parent entity: nil (2018: nil)) which can only be used for specific purposes and are, therefore, not available to fund the ongoing operations of the consolidated entity.

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Parking Space Levy	115,578	68,301
Community Transport Groups	14,158	14,855
Railway Contribution Deed	5	31
Community Road Safety Fund	-	5,842
E-Tag Deposit	57,268	56,427
Maritime Waterways Fund	293,736	265,357
Funds related to land acquisition by the State	39,901	47,473
Rental Bonds	12	11
Restricted cash and cash equivalents	**520,658**	**458,297**

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

7. Cash and cash equivalents (cont'd)

Restricted cash and cash equivalents (cont'd)

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

The Community Road Safety Fund legislation was established under the Transport Administration Act 1988. The fund requires that all fines and penalties recovered for camera recorded speeding offences and camera recorded mobile phone use offences is to be spent on road safety.

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

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

Funds relating to land acquisitions by the state, the authority of the state are required to keep the money in a fund for the person entitled to the compensation concerned. Transactions on this account are restricted to activity relating to land acquisitions.

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

Recognition and measurement

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

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

8. Receivables

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Sale of goods and services		72,296	58,811	-	-
Goods and Services Tax recoverable		411,972	335,195	26	23
Prepayments		288,931	285,177	-	-
Income receivable		109,372	113,651	-	-
Other receivables[1]		306,478	308,513	74	135
Investment income receivable		3,544	9,849	-	-
Finance leases		203	221	-	-
		1,192,796	**1,111,417**	**100**	**158**
Less: Allowance for expected credit loss*		(8,858)	-	-	-
Less: Allowance for impairment**		-	(11,395)	-	-
Current receivables		**1,183,938**	**1,100,022**	**100**	**158**
Year ended 30 June 2019					
***Movement in the allowance for expected credit losses**					
Balance at 30 June 2018 under AASB 139		(11,395)		-	
Amount restated through opening accumulated funds		2,420		-	
Balance at 1 July 2018 under AASB 9		(8,975)		-	
Amounts written off during the year		8		-	
Amounts recovered during the year		727		-	
Increase/(decrease) in allowance recognised in net results		(618)		-	
Balance at 30 June		**(8,858)**		-	
Year ended 30 June 2018					
****Movement in the allowance for impairment**					
Balance at 1 July			(10,542)		-
Additions	5		(7,689)		-
Bad debt written off			6,836		-
Balance at 30 June			**(11,395)**		**-**
Finance leases		25,710	26,822	-	-
Other receivables[1]		708,202	218,104	-	-
Prepayments[2]		1,983,958	1,345,748	-	-
Non-current receivables		**2,717,870**	**1,590,674**	**-**	**-**

[1] Roads and Maritime Services disposed of the Hill Road site at Wentworth point in September 2016 and as at 30 June 2019, has received the agreed sale proceeds of an initial deposit of 10 per cent and two instalments of $81.1 million each in July 2017 and July 2018. In 2019, current other receivables include the third annual instalment of $81.1 million due in July 2019 (2018: $81.1m due in July 2018) and nil non-current receivables (2018: $81.1 million due in July 2019) in relation to the Wentworth point sale proceeds.

In 2019 other non-current receivables relate to proceeds receivable from external parties under the Integrated Station Development arrangements in Sydney Metro, and grants receivable from Urban Growth Development Corporation.

[2] Non-current prepayments include $1,124.3 million (2018: $644.7 million) for WestConnex and $820.5 million (2018: $677.5 million) for NorthConnex.

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

Other receivables has been restated to be $180.7 million higher than in the prior year. Refer to Note 27.

8. Receivables (cont'd)

Recognition and measurement

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

Subsequent measurement under AASB 9 (from 1 July 2018)

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

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

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.

Impairment under AASB 9 (from 1 July 2018)

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

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

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Trade receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The consolidated entity first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

9. Inventories

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Materials, spare parts and other stores	44,809	44,173	-	-
Less: Provision for obsolescence	(12,247)	(12,552)	-	-
Current inventories held for distribution	**32,562**	**31,621**	**-**	**-**
Materials, spare parts and other stores	35,694	31,062	-	-
Non-current inventories held for distribution	**35,694**	**31,062**	**-**	**-**

Recognition and measurement

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

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

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

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

10. Financial assets at fair value

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Derivatives	3,528	3,718	-	-
TCorpIM Funds (medium and long-term growth facilities)	119,614	111,565	-	-
Current financial assets at fair value	**123,142**	**115,283**	**-**	**-**
Financial assets held for trading				
Derivatives	19,256	1,693	-	-
Non-current financial assets at fair value	**19,256**	**1,693**	**-**	**-**

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

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

10. Financial assets at fair value (cont'd)

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

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

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

Recognition and measurement

Classification and measurement under AASB 9 (from 1 July 2018)

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

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

- *Financial assets at fair value through other comprehensive income*

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

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

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

- *Financial assets at fair value through profit or loss*

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

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

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

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

10. Financial assets at fair value (cont'd)

Recognition and measurement (cont'd)

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

Classification and measurement under AASB 139 (for comparative period ended 30 June 2018)

The consolidated entity's financial assets at fair value are classified, at initial recognition, as either "subsequently measured at fair value through other comprehensive income" or "subsequently measured at fair value through profit or loss". The classification was based on the purpose of acquiring such financial assets.

Fair value through profit or loss - the consolidated 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. Gains or losses on these assets are recognised in the net result for the year.

The TCorpIM Funds 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 TCorpIM Funds 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 consolidated 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 though the amortisation process.

Available-for-sale investments - Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year. Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date, i.e. the date the consolidated 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.

(i) Impairment of financial assets

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

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

10. Financial assets at fair value (cont'd)

Recognition and measurement (cont'd)

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.

11. Non-current assets held for sale

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Land and buildings held for sale	31,422	859	-	-
Plant and equipment	50	785	-	-
Non-current assets held for sale	**31,472**	**1,644**	**-**	**-**

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

Recognition and measurement

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

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

12. Other financial assets

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Lane Cove Tunnel receivable[1]	-	146,887	-	-
Other loans and deposits[2]	100,000	230,000	-	-
Current other financial assets	**100,000**	**376,887**	**-**	**-**
Loan to Sydney Harbour Tunnel Company[3]	176,766	165,519	-	-
Promissory notes[4]	59,255	57,473	-	-
Interest free advances to taxi operators[5]	1,205	1,006	-	-
Non-current other financial assets	**237,226**	**223,998**	**-**	**-**

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

[1] Lane Cove Tunnel receivable relates to concession fees receivable due to the extension periods in the Private Public Partnership agreements of Lane Cove Tunnel. The amount represents the nominal value of $200.0 million receivable from 31 December 2017 to 30 June 2019. As at 30 June 2019, all of the $200.0 million had been received (2018: $45.0 million) and therefore the receivable balance is nil (2018: $146.9m). The concession fees receivable had been valued at amortised cost.

[2] Other loans and deposits of $100.0 million (2018: $230.0 million) relate to short-term deposits of $100.0 million (2018: $200.0 million) held with Westpac. The prior year balance also included a $30.0 million TCorp facility.

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

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

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

Recognition and measurement

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.

Please refer to note 10(i) for recognition and measurement regarding impairment of financial assets.

13. Property, plant and equipment

Consolidated

Consolidated		Infrastructure systems			Plant and equipment							
	Land and buildings $ '000	Road and maritime systems $ '000	Rail systems $ '000	Total $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Leased rolling stock $ '000	Buses $ '000	Ferries $ '000	Total $ '000	Total Property, plant and equipment $ '000
At 30 June 2019												
Gross carrying amount	9,727,818	125,446,369	85,773,129	211,219,498	1,868,359	1,357,309	7,071,614	2,363,001	1,167,021	305,274	14,132,578	235,079,894
Accumulated depreciation and impairment	(5,112,351)	(29,895,081)	(35,638,083)	(65,533,164)	(779,729)	(656,464)	(3,279,373)	(458,059)	(838,035)	(232,839)	(6,244,499)	(76,890,014)
Net carrying amount	**4,615,467**	**95,551,288**	**50,135,046**	**145,686,334**	**1,088,630**	**700,845**	**3,792,241**	**1,904,942**	**328,986**	**72,435**	**7,888,079**	**158,189,880**
At 30 June 2018												
Gross carrying amount	4,428,677	115,298,532	85,481,281	200,779,813	1,375,055	961,160	6,307,802	2,925,212	1,393,966	300,413	13,263,608	218,472,098
Accumulated depreciation and impairment	(193,988)	(26,914,755)	(39,853,317)	(66,768,072)	(642,058)	(350,481)	(3,877,313)	(670,927)	(1,018,213)	(209,539)	(6,768,531)	(73,730,591)
Net carrying amount	**4,234,689**	**88,383,777**	**45,627,964**	**134,011,741**	**732,997**	**610,679**	**2,430,489**	**2,254,285**	**375,753**	**90,874**	**6,495,077**	**144,741,507**

There was nil (2018: nil) property, plant and equipment held by the parent.

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

Infrastructure systems ‘Gross carrying amount’ and ‘Accumulated depreciation and impairment’ have been restated to be $12,209.8 million and $9,982.8 million, respectively, lower than in the prior year. Refer to Note 27.

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							
	Land and buildings $ '000	Road and maritime systems $ '000	Rail systems $ '000	Total $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Leased rolling stock $ '000	Buses $ '000	Ferries $ '000	Total $ '000	Total Property, plant and equipment $ '000
At 30 June 2019												
Net carrying amount at start of year	4,234,689	88,383,777	45,627,964	134,011,741	732,997	610,679	2,430,489	2,254,285	375,753	90,874	6,495,077	144,741,507
Additions	667,590	5,133,851	5,084,491	10,218,342	138,540	158,780	1,033,833	-	36,430	6,754	1,374,337	12,260,269
Recognition of assets	8,501	2,036	-	2,036	550	-	2,369	-	-	-	2,919	13,456
Revaluation increment/(decrement) recognised in equity	(434,315)	3,733,038	427,110	4,160,148	27,783	-	(43,549)	(285,747)	-	-	(301,513)	3,424,320
Revaluation increment/(decrement) recognised in net result	-	-	-	-	-	-	(182,174)	-	-	-	(182,174)	(182,174)
Disposals	(9,078)	-	(902,895)	(902,895)	(4,998)	-	(6,714)	-	(119)	1,891	(9,940)	(921,913)
Impairment losses	-	(216,006)	(47,472)	(263,478)	-	-	-	-	-	(16,396)	(16,396)	(279,874)
Assets transferred (to)/from non-current assets held for sale	(67,531)	-	(107)	(107)	(50)	-	-	-	-	-	(50)	(67,688)
Reclassification between PPE classes	254,940	30,185	(1,341,419)	(1,311,234)	148,551	22,068	912,547	14,124	(40,996)	-	1,056,294	-
Reclassifications (to)/from intangible assets	(345)	(278)	248,501	248,223	239,420	-	(196,799)	-	-	-	42,621	290,499
Reclassifications (to)/from other assets	-	14,971	2,566,581	2,581,552	-	-	-	-	-	-	-	2,581,552
Depreciation expense	(39,444)	(1,509,729)	(1,221,380)	(2,731,109)	(184,992)	(90,682)	(157,761)	(77,720)	(42,082)	(10,688)	(563,925)	(3,334,478)
Increase/(decrease) in net assets from equity transfer	(2,661)	-	-	-	-	-	-	-	-	-	-	(2,661)
Transfer (to)/from local councils	3,119	(20,557)	(306,328)	(326,885)	(9,171)	-	-	-	-	-	(9,171)	(332,937)
Net carrying amount at 30 June	**4,615,467**	**95,551,288**	**50,135,046**	**145,686,334**	**1,088,630**	**700,845**	**3,792,241**	**1,904,942**	**328,986**	**72,435**	**7,888,079**	**158,189,880**

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

Consolidated – Reconciliation (prior year)

Consolidated – Reconciliation	Land and buildings	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	Leased rolling stock	Buses	Ferries	Total	Total Property, plant and equipment
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
At 30 June 2018												
Net carrying amount at start of year	4,254,225	78,803,047	44,619,513	123,422,560	763,313	582,996	2,152,123	2,343,674	345,124	90,958	6,278,188	133,954,973
Restatement of infrastructure assets	-	-	(2,145,823)	(2,145,823)	-	-	-	-	-	-	-	(2,145,823)
Restated net carrying amount at start of year	4,254,225	78,803,047	42,473,690	121,276,737	763,313	582,996	2,152,123	2,343,674	345,124	90,958	6,278,188	131,809,150
Additions	769,590	3,981,476	3,966,467	7,947,943	69,300	135,773	33,091	-	26,035	16,086	280,285	8,997,818
Recognition of infrastructure assets	1,705	49,345	-	49,345	-	-	-	-	-	-	-	51,050
Revaluation increment/(decrement) recognised in equity	(439,387)	7,676,107	1,296,495	8,972,602	-	-	-	(5,000)	1,038	-	(3,962)	8,529,253
Revaluation increment/(decrement) recognised in net result	-	1,470	-	1,470	-	-	-	-	-	(5,056)	(5,056)	(3,586)
Disposals	(12,132)	-	(262,224)	(262,224)	(3,397)	(4,061)	(189)	-	-	-	(7,647)	(282,003)
Impairment losses	-	(198,594)	-	(198,594)	-	-	-	-	-	-	-	(198,594)
Assets transferred (to)/from non-current assets held for sale	(21,530)	-	-	-	(791)	-	-	-	87	-	(704)	(22,234)
Reclassification between PPE classes	(41,793)	327,117	(650,494)	(323,377)	(53,390)	(21,904)	391,015	143	49,306	-	365,170	-
Reclassifications (to)/from intangible assets	-	-	(8,873)	(8,873)	57,311	-	-	-	-	-	57,311	48,438
Reclassifications (to)/from other assets	12,828	(497,397)	10,524	(486,873)	-	-	-	-	-	-	-	(474,045)
Depreciation expense	(31,606)	(1,559,430)	(1,195,391)	(2,754,821)	(99,349)	(82,125)	(145,551)	(84,532)	(45,837)	(11,114)	(468,508)	(3,254,935)
Increase/(decrease) in net assets from equity transfer	(257,211)	-	-	-	-	-	-	-	-	-	-	(257,211)
Transfer to and from local councils	-	(199,364)	(2,230)	(201,594)	-	-	-	-	-	-	-	(201,594)
Net carrying amount at 30 June	**4,234,689**	**88,383,777**	**45,627,964**	**134,011,741**	**732,997**	**610,679**	**2,430,489**	**2,254,285**	**375,753**	**90,874**	**6,495,077**	**144,741,507**

Infrastructure systems has been restated to be $2,226.9 million lower than in the prior year. The following lines have been restated:

- Disposals - $142.7 million higher
- Depreciation - $61.5 million lower
- Restatement of opening balance - $2,145.8 million decrease

Refer to Note 27.

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

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

Reclassification from intangible assets mainly comprises the transfer of computer equipment acquired for the Next Generation Information System project for Transport for NSW.

Certain roads and rail systems were transferred to and from councils.

a) Revaluations on land and buildings were undertaken in a number of the controlled entities in 2019. The fair value of such assets is stated at fair value using either the direct comparison approach or current replacement cost (CRC).

b) Revaluations on certain infrastructure assets including roads, bridges and land and buildings including those acquired for future road works were performed in 2019.

c) All road infrastructure assets are stated at fair value using the CRC approach:
   - The methods and significant assumptions applied in estimating the 'Roads' asset class fair values include Primary Approach, Secondary Approach and Hybrid Approach.
   - Due to the specialised nature of Roads and Maritime Services' 'Roads' asset class and that the roads are not sold or traded, the fair value for this asset class cannot be determined with reference to the observable prices in an active market or recent market transactions on arm's length terms. Instead, the fair value has been determined using the valuation techniques mentioned above, primarily with reference to current tendered contracted rates produced by the Roads and Maritime Services Project Management Office.

d) Land and buildings acquired for future road works comprises of untenanted land for road (ULR), public reserves, rental and surplus properties. With the exception of public reserves, LAFFRW are initially valued at acquisition cost and progressively revalued to current market value over a three year cycle by registered valuers.

   In 2018-19, ULR, Rental, Surplus and Administration Properties were subject to revaluation by registered valuers.

e) Revaluations on buses owned by Transport for NSW (previously owned by State Transit Authority) were undertaken in 2018. Revaluations on all owned and leased buses were undertaken in 2017 using the CRC approach.

f) Earthworks and tunnel boring assets were valued and recognised in 2017 using the CRC approach. Valuation inputs to arrive at replacement cost are categorised in level 3 of the fair value hierarchy and are predominantly an assessment of the construction costs such as materials, labour and overhead.

Recognition and measurement

(i) Property, plant and equipment

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

(ii) Capitalisation and initial recognition

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

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

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

Recognition and measurement (cont'd)

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

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

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

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

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

(iii) Valuation of property, plant and equipment

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

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

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

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

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

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

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

Recognition and measurement (cont'd)

(iv) Revaluation of property, plant and equipment

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

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

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

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

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

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

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

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

(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, or an amount that approximates fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for the consolidated entity given that AASB 136 modifies the recoverable amount for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value. This means that, for an asset already measured at fair value, impairment can only arise if costs of disposal are material. Costs of disposal are generally regarded as immaterial.

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

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

Recognition and measurement (cont'd)

(vi) Depreciation of property, plant and equipment

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

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

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

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

Depreciation Rates	Useful Lives
Rail systems	5-250 years
Road systems	7-197 years
Maritime systems	5-40 years
Rolling stock	25-43 years
Buildings	8-200 years
Owned buses	20-25 years
Finance leased buses	15-25 years
Ferries	20-40 years
Plant and equipment	2-60 years

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

(vii) Major inspection costs

When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied.

(viii) Restoration costs

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

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

Recognition and measurement (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 does not transfer substantially all the risks and rewards.

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

The consolidated entity's accounting policy measures leased buses at fair value rather than historical cost. This is in accordance with AASB 136 (para. Aus32.1-32.2) in respect of not-for-profit entities where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits. Therefore the asset's recoverable amount is determined based on the current replacement cost of the asset being the best representation of its fair value.

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

As lessor:

The consolidated 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.

14. Intangible assets

Consolidated	Notes	Intangible assets $'000	Biodiversity credits $'000	Work in progress $'000	Total Intangibles $'000
At 30 June 2019					
Cost (gross carrying amount)		1,888,588	79,541	439,055	2,407,184
Accumulated amortisation and impairment		(922,256)	-	-	(922,256)
Net carrying amount		**966,332**	**79,541**	**439,055**	**1,484,928**
At 30 June 2018					
Cost (gross carrying amount)		1,658,763	-	776,576	2,435,339
Accumulated amortisation and impairment		(758,700)	-	-	(758,700)
Net carrying amount		**900,063**	**-**	**776,576**	**1,676,639**

At 30 June 2019					
Net carrying amount at start of year		900,063	-	776,576	1,676,639
Additions		22,036	79,541	222,772	324,349
Disposals	4	(664)	-	(571)	(1,235)
Reclassification between intangible assets		122,391	-	(122,391)	-
Reclassifications (to)/from PPE	13	146,832	-	(437,331)	(290,499)
Impairment losses	5	(2,005)	-	-	(2,005)
Amortisation	2d	(222,321)	-	-	(222,321)
Net carrying amount at 30 June		**966,332**	**79,541**	**439,055**	**1,484,928**
At 30 June 2018					
Net carrying amount at start of year		660,588	-	963,885	1,624,473
Assets recognised for the first time		49,700	-	-	49,700
Additions		-	-	302,528	302,528
Disposals	4	(74,158)	-	(10,773)	(84,931)
Reclassification between intangible assets		384,555	-	(384,555)	-
Reclassifications (to)/from PPE	13	46,071	-	(94,509)	(48,438)
Reclassifications (to)/from other assets		31,153	-	-	31,153
Impairment losses	5	(1,216)	-	-	(1,216)
Amortisation	2d	(196,630)	-	-	(196,630)
Net carrying amount at 30 June		**900,063**	**-**	**776,576**	**1,676,639**

There were nil (2018: nil) intangible assets held by the parent.

14. Intangible assets (cont'd)

Recognition and measurement

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

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

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

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

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

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

15. Other assets

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Non-current other assets					
Right to receive privately financed transport infrastructure		2,422,702	2,151,866	-	-
Prepaid asset		1,057,028	2,777,321	-	-
Other assets		**3,479,730**	**4,929,187**	**-**	**-**
Movement in right to receive privately financed transport infrastructure					
Balance at 1 July		2,151,866	1,904,254	-	-
Additions	3(h)	270,836	260,439	-	-
Reclassifications (to)/from property, plant and equipment		-	(12,827)	-	-
Balance at 30 June		**2,422,702**	**2,151,866**	**-**	**-**

Recognition and measurement

Private sector provided infrastructure

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

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

Prepaid asset

The consolidated entity has entered into PPP contracts with ALTRAC Light Rail Consortium for the construction of Sydney Light Rail and with Northwest Rapid Transit for the construction of the Sydney Metro Northwest. The costs incurred prior to completion of the construction phase are recognised as a prepaid asset in accordance with NSW Treasury Policy TPP 06-8.

During the year, construction of Sydney Metro Northwest was completed and commenced operations. As a result, the Sydney Metro Northwest prepaid assets were transferred to the relevant completed asset categories within property, plant and equipment (note 13).

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 2019.

2019	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Land and buildings	13	**-**	**3,502,782**	**797,468**	**4,300,250**
Plant and equipment		-	1,298	148,382	149,680
Finance leased buses		-	-	700,845	700,845
Rolling stock		-	-	2,881,870	2,881,870
Buses		-	-	320,963	320,963
Ferries		-	-	72,298	72,298
Leased rolling stock		-	-	1,904,942	1,904,942
Plant and equipment	13	**-**	**1,298**	**6,029,300**	**6,030,598**
Road and maritime systems		-	-	86,394,111	86,394,111
Rail systems		-	-	42,010,186	42,010,186
Infrastructure systems	13	**-**	**-**	**128,404,297**	**128,404,297**
Non-current assets held for sale	11	**-**	**32,805**	**-**	**32,805**
Other assets	15	**-**	**-**	**2,422,702**	**2,422,702**
		-	**3,536,885**	**137,653,767**	**141,190,652**

2018	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Land and buildings	13	**-**	**3,660,886**	**514,880**	**4,175,766**
Plant and equipment		-	700	107,790	108,490
Finance leased buses		-	-	610,678	610,678
Rolling stock		-	-	1,945,451	1,945,451
Buses		-	-	362,663	362,663
Ferries		-	-	88,649	88,649
Leased rolling stock		-	-	2,254,285	2,254,285
Plant and equipment	13	**-**	**700**	**5,369,516**	**5,370,216**
Road and maritime systems		-	-	81,201,846	81,201,846
Rail systems		-	-	34,777,028	34,777,028
Infrastructure systems	13	**-**	**-**	**115,978,874**	**115,978,874**
Non-current assets held for sale	11	**-**	**835**	**809**	**1,644**
Other assets	15	**-**	**-**	**2,136,307**	**2,136,307**
		-	**3,662,421**	**124,000,386**	**127,662,807**

Rail systems have been restated to be $2,084.3 million lower than in the prior year. Refer to Note 27.

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)

(a) Fair value hierarchy (cont'd)

Recognition and measurement

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

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

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

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

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

(b) Valuation techniques

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

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

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

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

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

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

(c) Valuation processes and inputs

The consolidated entity engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets at the end of the reporting period, at least every 5 years. During the 2019 financial year, a full valuation of the following assets was carried out by independent valuers, with the other non-financial assets not required to be revalued:

- The fair value of Inner West Light Rail assets was valued by AON.
- The fair value of road and bridge assets, certain infrastructure and land and building assets at Roads and Maritime Services was valued by various independent valuers, internally qualified valuers and employees.
- The fair value of Rolling stock at Sydney Trains and RailCorp was valued by SNC Lavalin Rail & Transit Pty Ltd/ AON Risk Services Australia Ltd.
- The fair value of Plant & machinery at Sydney Trains and RailCorp was valued by AON Risk Services Australia Ltd.
- The fair value of Metro Northwest rail assets was valued by AECOM Australia Pty Ltd.
- The fair value of Sydney Metro North West land assets was valued by JLL Australia.

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

- Certain infrastructure assets at Roads and Maritime Services, and
- All classes of assets held by Sydney Trains and Rail Corporation New South Wales.

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.

Variations in assumptions used in the determination of fair value have a potentially material impact on the level 3 fair value measurement. The following table summarises the quantitative impact on the fair value of earthworks, where there is a 1% change in the unit cost. The unit rate is subject to factors such as height and condition of underlying material. It is not practicable to quantify the impact of all assumptions used in the valuation.

	+1%	-1%
	Increase in fair value	**Decrease in fair value**
	$'000	**$'000**
Infrastructure assets – Country Rail Earthworks	20,830	(20,830)

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

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

- **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 Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI) as applicable. Components are depreciated over their estimated useful life depending on component type or remaining useful life depending on assets' condition. Land under roads and 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** - current replacement cost, including delivery and professional fees were estimated by the external valuer based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the agreed criteria with management. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.
- **Owned buses and finance leased buses** – current replacement cost estimates are based on the most recent cost prices for the buses and current Transport for NSW Bus Procurement Panel pricing for Rural and Regional Urban and School bus types, as quoted by numerous chassis and bus providers. End of life residual value, exponential decay curve and disposal costs were estimated by the external valuer based on the current market sales evidence and common valuation practice for buses.
- **Non-current asset held for sale** - rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.
- **Leasehold improvement make good** - restoration cost per square metre, inflation rate, market yield on Government bonds, lease terms are estimated and obtained by management.
- **Emerging interest from Public Private Partnership Projects** – replacement costs, inflation rate and discount rate are determined by management in accordance with Treasury policy.

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

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

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

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

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).

(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
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.	• Replacement cost • Discount rate • Inflation rate	In aggregate $2.4 billion (2018: $2.2 billion)	The fair value will increase/(decrease) if the estimated: • replacement cost increase/(decrease) • discount rate decrease/(increase) • inflation rate increase/(decrease)

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

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

(e) Reconciliation of recurring Level 3 fair value measurement

	Land and buildings	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Leased rolling stock	Road and maritime systems	Rail systems	Other assets	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
						-		-	-		-
Fair value at start of year	514,880	107,790	610,678	1,945,451	362,663	88,649	2,254,285	81,201,846	34,777,028	2,136,307	123,999,577
Additions	7,981	7,740	158,780	706,673	36,431	6,951	-	-	1,442,156	286,395	2,653,107
Revaluation increment/(decrement) recognised in net result	-	-	-	(43,549)	-	(12,614)	-	-	-	-	(56,163)
Revaluation increment/(decrement) recognised in other comprehensive income	52,924	26,772	-	(182,174)	-	-	(285,747)	3,733,038	427,110	-	3,771,923
Transfer (to)/from Level 2	-	-	-	-	-	-	-	30,185	-	-	30,185
Transfer (to)/from council	-	-	-	-	-	-	-	(20,557)	-	-	(20,557)
Recognition of assets	-	-	-	2,369	-	-	-	-	-	-	2,369
Transfer (to)/from assets held for sale	-	-	-	-	-	-	-	-	(107)	-	(107)
Disposals	-	(2,383)	-	(6,714)	(119)	-	-	(186,698)	(658,584)	-	(854,498)
Depreciation	(17,273)	(21,107)	(90,682)	(157,761)	(42,082)	(10,688)	(77,720)	(1,509,722)	(1,221,380)	-	(3,148,415)
Transfer (to)/from other classes of assets	-	-	22,069	-	(35,930)	-	-	74,520	-	-	60,659
Transfer from assets under construction	238,956	29,570	-	617,575	-	-	14,124	3,069,463	7,243,958	-	11,213,646
Recognition of assets	-	-	-	-	-	-	-	2,036	5	-	2,041
Fair value as at 30 June	**797,468**	**148,382**	**700,845**	**2,881,870**	**320,963**	**72,298**	**1,904,942**	**86,394,111**	**42,010,186**	**2,422,702**	**137,653,767**

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

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

	Land and buildings	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Leased rolling stock	Road and maritime systems	Rail systems	Other assets	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
						-		-	-		-
Fair value at start of year	566,789	108,182	582,996	1,958,196	326,017	79,658	2,343,674	73,065,567	34,809,340	1,904,254	115,744,673
Infrastructure systems restatement	-	-	-	-	-	-	-	-	(2,145,823)	-	(2,145,823)
Restated fair value at start of year	566,789	108,182	582,996	1,958,196	326,017	79,658	2,343,674	73,065,567	32,663,517	1,904,254	113,598,850
Reclass from cost to fair value	-	-	-	-	-	-	-	-	-	-	-
Additions	239,799	54	135,772	-	32,051	5,196	-	580,808	-	270,963	1,264,643
Revaluation increment/(decrement) recognised in net result	-	-	-	-	-	(5,056)	-	1,470	-	-	(3,586)
Revaluation increment/(decrement) recognised in other comprehensive income	(37,825)	-	-	-	1,038	-	(5,000)	7,660,343	1,296,495	(15,558)	8,899,493
Transfers to Level 2	-	-	-	-	-	-	-	46,959	-	-	46,959
Transfer (to)/from council	-	-	-	-	-	-	-	(199,363)	-	-	(199,363)
Transfer (to)/from assets held for sale	(55)	391	-	-	87	-	-	-	-	-	423
Disposals	(11,586)	(1,808)	(4,061)	-	-	-	-	(115,980)	(69,684)	-	(203,119)
Depreciation	(10,783)	(96,867)	(82,125)	(145,551)	(45,836)	(11,114)	(84,532)	(1,559,430)	(1,195,391)	-	(3,231,629)
Other movements	(238,843)	-	-	-	-	-	-	-	-	-	(238,843)
Transfer (to)/from other classes of assets	-	75,180	-	-	-	-	-	(437,442)	(287,899)	(23,352)	(673,513)
Transfer from assets under construction	5,679	22,658	(21,904)	132,806	49,306	19,965	143	2,114,871	2,369,990	-	4,693,514
Recognition of assets	1,705	-	-	-	-	-	-	44,043	-	-	45,748
Fair value as at 30 June	**514,880**	**107,790**	**610,678**	**1,945,451**	**362,663**	**88,649**	**2,254,285**	**81,201,846**	**34,777,028**	**2,136,307**	**123,999,577**

17. Payables

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Trade creditors	363,900	316,760	12	-
Accrued salaries, wages and on-costs	76,132	73,505	3	7
Accruals	2,178,507	2,106,539	259	233
Interest	25,330	29,398	-	-
Other creditors	112,573	333,896	-	-
Current payables	**2,756,442**	**2,860,098**	**274**	**240**

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

Recognition and measurement

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

18. Borrowings

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
TCorp borrowings		82,500	108,665	-	-
Finance leases	22	174,334	154,351	-	-
Financial liabilities at fair value		779	679	-	-
Financial liabilities at amortised cost		77,288	-	-	-
Current borrowings		**334,901**	**263,695**	**-**	**-**
TCorp borrowings		2,437,428	2,926,779	-	-
Finance leases	22	2,984,308	2,997,887	-	-
Financial liabilities at fair value		507	1,510	-	-
Financial liabilities at amortised cost		1,756,342	-	-	-
Non-current borrowings		**7,178,585**	**5,926,176**	**-**	**-**

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

Repayment of borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Not later than one year	334,901	263,695	-	-
Later than one year and not later than five years	2,378,356	3,594,611	-	-
Later than five years	4,800,229	2,331,565	-	-
Repayment of borrowings	**7,513,486**	**6,189,871**	**-**	**-**

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

18. Borrowings (cont'd)

Changes in liabilities arising from financing activities

Consolidated

2019 **Consolidated**	**Balance at 1July $'000**	**Cash flows $'000**	**Non-cash changes $'000**	**Balance at 30 June $'000**
Tcorp borrowings	3,035,444	147,679	(663,195)	2,519,928
Finance leases	3,152,238	(228,121)	234,525	3,158,642
Financial liabilities at fair value	2,189	(903)	-	1,286
Financial liabilities at amortised cost	-	-	1,833,630	1,833,630
Total liabilities from financing activities	**6,189,871**	**(81,345)**	**1,404,960**	**7,513,486**

2018 **Consolidated**				
Tcorp borrowings	2,980,427	93,361	(38,344)	3,035,444
Finance leases	3,148,067	(140,721)	144,892	3,152,238
Financial liabilities at fair value	5,301	(3,112)	-	2,189
Total liabilities from financing activities	**6,133,795**	**(50,472)**	**106,548**	**6,189,871**

There were no changes in liabilities from financing activities arising in respect of the Parent (2018: none).

Recognition and measurement

(i) Borrowings, finance leases and financial liabilities at amortised cost

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

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 consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(ii) Financial liabilities at fair value

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

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

18. Borrowings (cont'd)

Recognition and measurement (cont'd)

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

Until 30 June 2018, financial liabilities designated at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in the net result.

From 1 July 2018, the changes in fair value of liabilities designated at fair value through profit or loss are recorded in profit or loss with the exception of movements in fair value due to changes in the entity's own credit risk are recorded in other comprehensive income and do not get recycled to net result.

(iii) Financial guarantees

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

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially recognised at fair value plus, in the case of financial guarantees not at fair value through profit or loss, directly attributable transaction costs, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB137 and the amount initially recognised, less accumulated amortisation, where appropriate.

The consolidated entity has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2019 and as at 30 June 2018.

19. Employee benefits

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Annual leave[1]	337,402	323,221	169	162
Long service leave[1]	411,658	387,969	43	32
Workers compensation insurance	22,220	21,862	-	-
Payroll tax	7,102	9,404	-	-
Public holidays	12,817	12,074	-	-
Severance payments/redundancies	9,943	17,673	-	-
Current employee benefits and related on-costs	**801,142**	**772,203**	**212**	**194**
Long service leave	33,648	35,483	-	-
Workers compensation insurance	83,796	82,822	-	-
Superannuation	1,217,132	923,253	-	-
Non-current employee benefits and related on-costs	**1,334,576**	**1,041,558**	**-**	**-**

[1] It is estimated that the provision for annual leave includes $67.2 million (2018: $45.7 million) and long service leave includes $343.5 million (2018: $378.4 million) that are expected to be paid later than 12 months.

Recognition and measurement

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

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

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

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

(ii) Long service leave and superannuation

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

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

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

19. Employee benefits (cont'd)

Recognition and measurement (cont'd)

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

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

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

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

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

(iii) Consequential on-costs

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

Defined-benefit superannuation overview

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

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

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

19. Employee benefits (cont'd)

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

Year ended 30 June 2018	SASS	SANCS	SSS	Total
Member numbers				
Contributors	1,938	1940	2	
Deferred benefits	-	-	-	
Pensioners	846	-	40	
Pensions fully commuted	-	-	2	
	$'000	**$'000**	**$'000**	**$'000**
Superannuation position for AASB 119 purposes				
Accrued liability[1]	2,113,483	147,708	71,160	2,332,351
Estimated reserve account balance	(1,265,778)	(107,947)	(35,374)	(1,409,099)
Deficit/(surplus)	**847,705**	**39,761**	**35,786**	**923,252**
Future service liability[2]	43,112	37,019	349	80,480
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of financial position	**847,705**	**39,761**	**35,786**	**923,252**

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

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

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

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

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

19. Employee benefits (cont'd)

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

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

All the Schemes are closed to new members.

- **Description of the regulatory framework**

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

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

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

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

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

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

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

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

- **Description of risks**

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

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

19. Employee benefits (cont'd)

- **Description of risks (cont'd)**

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

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

- **Description of significant events**

There were no fund amendments or curtailments during the year. The settlements shown above were in respect of the transfer of certain employees from Southern Region Depot to Transit Systems West Services Pty Ltd.

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

Year ended 30 June 2019	**SASS**	**SANCS**	**SSS**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**
Net defined benefit liability/(asset) at start of year	847,705	39,761	35,787	923,253
Current service cost	14,903	5,290	61	20,254
Net interest on the net defined benefit liability/(asset)	21,872	1,042	949	23,863
Actual return on Fund assets less Interest income	(65,220)	(5,198)	(1,868)	(72,286)
Actuarial (gains)/losses arising from changes in financial assumptions	327,238	13,518	13,184	353,940
Actuarial (gains)/losses from liability experience	20,195	1,755	(1,188)	20,762
Employer contributions	(44,642)	(852)	-	(45,494)
Actuarial (gains)/losses arising from changes in demographic assumptions	1,456	201	10	1,667
(Gains)/losses arising from settlements	(8,137)	(690)	-	(8,827)
Net defined benefit liability/(asset) at end of year	**1,115,370**	**54,827**	**46,935**	**1,217,132**

Year ended 30 June 2018	**SASS**	**SANCS**	**SSS**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**
Net defined benefit liability/(asset) at start of year	886,757	47,444	37,185	971,386
Current service cost	18,125	6,045	107	24,277
Net interest on the net defined benefit liability/(asset)	22,720	1,145	965	24,830
Actual return on Fund assets less Interest income	(70,611)	(6,123)	(2,017)	(78,751)
Actuarial (gains)/losses arising from changes in financial assumptions	(5,255)	(140)	(284)	(5,679)
Actuarial (gains)/losses from liability experience	(10,620)	(5,341)	(593)	(16,554)
Employer contributions	(46,837)	(1,245)	-	(48,082)
Actuarial (gains)/losses arising from changes in demographic assumptions	53,425	(2,024)	427	51,828
Net defined benefit liability/(asset) at end of year	**847,704**	**39,761**	**35,790**	**923,255**

19. Employee benefits (cont'd)

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

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

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

Year ended 30 June 2018	**SASS *$ '000***	**SANCS *$ '000***	**SSS *$ '000***	**Total *$ '000***
Fair value of fund assets at beginning of the year	1,269,080	116,982	34,562	1,420,624
Interest income	31,993	2,939	879	35,811
Actual return on Fund assets less Interest income	70,611	6,123	2,017	78,751
Employer contributions	46,837	1,245	-	48,082
Contributions by participants	12,527	-	65	12,592
Benefits paid	(164,163)	(19,130)	(2,522)	(185,815)
Taxes, premiums & expenses paid	(1,107)	(212)	372	(947)
Fair value of fund assets at end of the year	**1,265,778**	**107,947**	**35,373**	**1,409,098**

19. Employee benefits (cont'd)

- **Reconciliation of the defined benefit obligation**

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

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

Year ended 30 June 2018	**SASS $ '000**	**SANCS $ '000**	**SSS $ '000**	**Total $ '000**
Present value of defined benefit obligations at beginning of the year	2,155,837	164,426	71,747	2,392,010
Current service cost	18,125	6,045	107	24,277
Interest cost	54,714	4,084	1,845	60,643
Contributions by participants	12,527	-	65	12,592
Actuarial (gains)/losses arising from changes in demographic assumptions	53,425	(2,024)	424	51,825
Actuarial (gains)/losses arising from changes in financial assumptions	(5,255)	(140)	(284)	(5,679)
Actuarial (gains)/losses from liability experience	(10,620)	(5,341)	(593)	(16,554)
Benefits paid	(164,163)	(19,130)	(2,522)	(185,815)
Taxes, premiums & expenses paid	(1,107)	(212)	372	(947)
Present value of defined benefit obligations	**2,113,483**	**147,708**	**71,161**	**2,332,352**

19. Employee benefits (cont'd)

- **Reconciliation of the effect of the asset ceiling**

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

Year ended 30 June 2018	**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	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	**-**	**-**	**-**	**-**

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

19. Employee benefits (cont'd)

- **Fair value of fund assets**

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

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

Year ended 30 June 2018	Total	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
		Level 1	Level 2	Level 3
Asset category	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Short term securities	4,401,163	2,185,468	2,215,695	-
Australian fixed interest	2,234,922	41,854	2,193,068	-
International fixed interest	1,396,107	8,116	1,387,991	-
Australian equities	9,271,405	8,719,442	548,908	3,055
International equities	10,891,350	8,499,476	2,391,501	373
Property	3,711,287	788,018	608,934	2,314,335
Alternatives	9,894,829	420,898	5,332,818	4,141,113
Total	**41,801,063**	**20,663,272**	**14,678,915**	**6,458,876**

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

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

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

19. Employee benefits (cont'd)

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

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

	2019 %	2018 %
Short term securities	9.6	10.5
Australian fixed interest	5.4	5.3
International fixed interest	4.7	3.3
Australian equities	19.8	22.2
International equities	27.0	26.1
Property	8.5	8.9
Alternatives	25.0	23.7
Total	**100.0**	**100.0**

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

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

The fair value of the Pooled Fund assets include as at 30 June 2019 of $99.5 million (2018: $97.7 million) in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

* SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $316 million (30 June 2018: $280 million).
* Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $331 million (30 June 2018: $287 million).

19. Employee benefits (cont'd)

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

	2019	2018
Discount rate	1.32% pa	2.65% pa
Salary increase rate (excluding promotional increases)	3.20% pa	2.7% 2018/2019; 3.20% pa thereafter
Rate of CPI increase	1.75% 2018/2019 and 2019/20; 2.00% for 2020/21; 2:25% for 2021/22 and 2022/23; 2.50% pa thereafter	2.25% 2018/2019 and 2019/20; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are those to be used for the 2018 actuarial investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report which will be available on the Trustee's website when the investigation is complete. The report will show the pension mortality rates for each age. Alternatively, the assumptions are available on request from the Trustee.

19. Employee benefits (cont'd)

- **Sensitivity analysis**

The entity's total defined benefit obligation as at 30 June 2019 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2019.

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

Year ended 30 June 2019	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	as above	as above - 1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	2,619,931	2,977,811	2,331,914
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	2,619,931	2,741,646	2,509,184
	Base case	**Scenario E +0.5% Salary increase rate**	**Scenario F -0.5% Salary increase rate**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A$'000)	2,619,931	2,659,577	2,581,885
	Base case	**Scenario G Higher pensioner mortality rates [1]**	**Scenario H Lower pensioner mortality rates [2]**
Defined benefit obligation (A$'000)	2,619,931	2,665,754	2,595,617

[1] Assumes the short term pensioner mortality improvement factors for years 2019 - 2023 also apply for years after 2023
[2] Assumes the long term pensioner mortality improvement factors for years post-2023 also apply for years 2019 - 2023

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

19. Employee benefits (cont'd)

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

The entity's total defined benefit obligation as at 30 June 2018 under several scenarios is presented below. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Year ended 30 June 2018	**Base case**	**Scenario A -1% discount rate**	**Scenario B +1% discount rate**
	as above	as above	as above
Discount rate		– 1.0% pa	+1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	2,332,352	2,617,501	2,100,389

	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	as above	as above	as above
	as above	above rates	above rates
Rate of CPI increase		plus 0.5% pa	less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	2,332,352	2,426,137	2,246,709

	Base case	**Scenario E +0.5% Salary increase rate**	**Scenario F -0.5% Salary increase rate**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
	as above	above rates	above rates
Salary inflation rate		plus 0.5% pa	less 0.5% pa
Defined benefit obligation (A$'000)	2,332,352	2,368,965	2,297,256

	Base case	**Scenario G Higher pensioner mortality rates [1]**	**Scenario H Lower pensioner mortality rates [2]**
Defined benefit obligation (A$'000)	2,332,352	2,364,182	2,314,778

[1] Assumes the short term pensioner mortality improvement factors for years 2018 – 2023 also apply for years after 2023
[2] Assumes the long term pensioner mortality improvement factors for years post-2023 also apply for years 2018 - 2023

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

- **Asset-Liability matching strategies**

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

19. Employee benefits (cont'd)

- **Funding arrangements**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

- **Surplus/deficit**

The following is a summary of the 30 June 2019 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

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

Year ended 30 June 2018	**SASS**	**SANCS**	**SSS**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**
Accrued benefits*	1,394,866	118,837	37,179	1,550,882
Net market value of fund assets	(1,265,778)	(107,947)	(35,373)	(1,409,098)
Net (surplus)/deficit	**129,088**	**10,890**	**1,806**	**141,784**

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

- **Contribution recommendations**

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

Year ended 30 June 2018	**SASS**	**SANCS**	**SSS**
	% p.a.	**% p.a.**	**% p.a.**
Different contributions are recommended for each entity in the consolidated entity. The contributions rates were:			
STA Employment Group (Transport Services)	2.20	2.50	1.60

19. Employee benefits (cont'd)

- **Economic assumptions**

The economic assumptions adopted for the 30 June 2019 AASB 1056 Accounting Standard "Superannuation Entities" are (these assumptions are consistent with the assumptions to be used for the 2019 actuarial investigation of the Pooled Fund):

Weighted-average assumptions	2019	2018
Expected rate of return on Fund assets backing current pension liabilities	7.4% pa	7.4% pa
Expected rate of return on Fund assets backing other liabilities	6.4% pa	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	3.2% pa	2.7% for 2018/19; 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa	2.2% pa

- **Expected contributions**

Year ended 30 June 2020	SASS	SANCS	SSS	Total
	$ '000	$ '000	$ '000	$ '000
Expected employer contributions	-	-	-	-

Year ended 30 June 2019	SASS	SANCS	SSS	Total
	$ '000	$ '000	$ '000	$ '000
Expected employer contributions	32,426	327	-	32,753

- **Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation is 11.8 years (2018: 12.8 years).

- **Profit and loss impact**

Year ended 30 June 2019	SASS	SANCS	SSS	Total
	$ '000	$ '000	$ '000	$ '000
Current service cost	14,903	5,290	61	20,254
Net interest	21,872	1,042	948	23,862
(Gains)/Loss on settlement	(8,137)	(690)	-	(8,827)
Defined benefit cost	**28,638**	**5,642**	**1,009**	**35,289**

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	$ '000	$ '000	$ '000	$ '000
Current service cost	18,125	6,045	107	24,277
Net interest	22,720	1,145	965	24,830
Defined benefit cost	**40,845**	**7,190**	**1,072**	**49,107**

19. Employee benefits (cont'd)

- **Other comprehensive income**

Year ended 30 June 2019	**SASS $ '000**	**SANCS $ '000**	**SSS $ '000**	**Total $ '000**
Actuarial (gains) losses on liabilities	348,890	15,474	12,006	376,370
Actual return on Fund assets less Interest income	(65,220)	(5,198)	(1,868)	(72,286)
Total remeasurement in other comprehensive income	**283,670**	**10,276**	**10,138**	**304,084**

Year ended 30 June 2018	**SASS $ '000**	**SANCS $ '000**	**SSS $ '000**	**Total $ '000**
Actuarial (gains) losses on liabilities	37,551	(7,504)	(453)	29,594
Actual return on Fund assets less Interest income	(70,611)	(6,123)	(2,017)	(78,751)
Total remeasurement in other comprehensive income	**(33,060)**	**(13,627)**	**(2,470)**	**(49,157)**

20. Other provisions

	Consolidated 2019 $'000	**Consolidated 2018 $'000**	**Parent 2019 $'000**	**Parent 2018 $'000**
Airport Line asset replacement	3,507	3,001	-	-
Ballast disposal	1,080	1,529	-	-
Land and buildings remediation	19,432	31,154	-	-
Lease make good costs	6,461	12,175	-	-
Legal and related claims	3,363	3,525	-	-
Property reimbursement claims[1]	2,392	1,404	-	-
Provision for repair	-	5,000	-	-
Public liability claims[1]	3,963	5,485	-	-
Provision for biodiversity	10,834	-	-	-
Other[1]	21,927	7,318	-	-
Current other provisions	**72,959**	**70,591**	**-**	**-**
Airport Line asset replacement	822	1,546	-	-
Land and buildings remediation	19,489	8,109	-	-
Lease make good costs	27,823	25,349	-	-
Provision for biodiversity	6,221	-	-	-
Other[1]	45,809	18,566	-	-
Non-current other provisions	**100,164**	**53,570**	**-**	**-**

[1]These provisions are amalgamated into other provisions in the movement note below.

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:

	Airport Line asset replacement $'000	Ballast disposal $'000	Land and buildings remediation $'000	Lease make good costs $'000	Legal and related claims $'000	Provision for biodiversity	Others $'000	Total $'000
Carrying amount at the beginning of the financial year	4,547	1,529	39,263	37,524	3,525	-	37,773	124,161
Additional provision recognised	-	4,610	25,244	8,880	350	17,055	48,350	104,489
Amounts used	(267)	(5,059)	(13,635)	(5,784)	(512)	-	(12,221)	(37,478)
Unused amounts reversed	-	-	(11,938)	(5,858)	-	-	(300)	(18,096)
Unwinding/change in discount rate	49	-	(13)	(478)	-	-	489	47
Carrying amount at the end of the financial year	**4,329**	**1,080**	**38,921**	**34,284**	**3,363**	**17,055**	**74,091**	**173,123**

Interest expense of $0.1 million (2018: $0.4 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 $4.4 million (2018: $4.5 million) recognises the contractual obligation to fund the renewal of major track and tunnel assets of the Airport Line by the line's maintenance contractor during the term of the contractor to 2030. Any unused balance of the provision remaining in 2030 will be shared equally with the maintenance contractor.

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

Ballast disposal

The provision of $1.1 million (2018: $1.5 million) recognises the legal obligation in relation to the disposal of non-recyclable landfill and materials arising from ballast recycling operations.

The liability was assessed at 30 June 2019 (2018: 9 April 2018) by management after investigation of stockpiles at the Chullora site. The timing of the liability is uncertain due to the timing of future disposal.

Land and buildings remediation

The provision of $38.9 million (2018: $39.3 million) comprises provisions for contaminated land of $34.4 million (2018: $34.3 million) and remediation of asbestos contamination of $4.5 million (2018: $5.0 million). The provision for contaminated land includes $7.2 million (2018: $19.0 million) in relation to the Parramatta Light Rail project for the clearing of industrial waste from previous usage of certain sites and $15.8 million (2018: nil) in relation to remediation work required for Sydney Metro projects. The provision for remediation of asbestos contamination relates to a program of hazardous materials surveys that commenced in 2006 to identify the full extent of contamination and remedial action required in stations, operational buildings and rolling stock.

20. Other provisions (cont'd)

Lease make good

The lease made good provision of $34.3 million (2018: $37.5 million) recognises the consolidated entity's obligations to dismantle, remove and restore items of property, plant and equipment on the leased properties to its original condition at the conclusion of the lease. The amount of the provision is the best estimate of the expenditure required to settle the present obligations, discounted to reflect the present value of such expenditures.

Legal and related claims

The provision of $3.4 million (2018: $3.5 million) recognises claims against the consolidated entity arising from legislative or contractual breaches or other matters. The liability at year end was assessed by management by reviewing individual claims. The liability is inherently uncertain due to disputes over the existence or quantum of individual claims.

Biodiversity

A provision for biodiversity was raised in the current year. The provision of $17.1 million (2018: nil) recognises the best estimate of the expenditure required to settle biodiversity credits arising from construction works as well as maintain the required level of biodiversity on land.

Other provisions

Other provisions of $74.1 million (2018: $37.8 million) include the following:

- Nil (2018: $5.0 million) provision for repair to recognise the consolidated entity's obligation to repair damaged rolling stock currently under lease with Reliance Rail.
- $4.2 million (2018: $4.1 million) quarry restoration provision to recognise the legal obligation to restore quarry sites when operations cease. The liability at year end was assessed by an independent expert undertaking site inspections to estimate the minimum cost of the necessary restoration work. The liability is inherently uncertain due to the time likely to elapse before the restoration is required.
- Other provisions also include compensation and compliance claims, third party property damage, marine damage claims, public risk and other minor provisions.

Recognition and measurement

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

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

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

21. Other liabilities

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Statutory creditors	13,501	18,979	-	-
Sydney Harbour Tunnel tax liabilities	4,578	4,525	-	-
Holding accounts[1]	354,566	316,372	-	-
Lease incentive	-	110	-	-
Deferred revenue	19,041	19,048	-	-
Income received in advance	69,295	97,740	-	-
Liability for former employees' leave entitlements	2,657	3,127	-	-
Contribution from Sydney City Council for light rail	178,900	-	-	-
Current other liabilities	**642,538**	**459,901**	**-**	**-**
Sydney Harbour Tunnel tax liabilities	11,955	15,695	-	-
Deferred revenue	492,995	512,021	-	-
Unearned rent on M5 Motorway	3,310	3,823	-	-
Income received in advance	119,991	103,078	-	-
Other	626	-	-	-
Security deposit	47	47	-	-
Epping to Chatswood Rail Link improvements liability	-	74,694	-	-
Contribution from Sydney City Council for light rail	-	115,300	-	-
Non-current other liabilities	**628,924**	**824,658**	**-**	**-**

[1] Holding accounts include the e-tag deposits, Opal cardholder top-ups and advances.

22. Commitments for expenditure

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
(a) Capital commitments					
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:					
Not later than one year		8,055,533	4,479,902	-	-
Later than one year and not later than five years		8,310,095	5,824,185	-	-
Later than five years		1,479	-	-	-
Total (including GST)		**16,367,107**	**10,304,087**	**-**	**-**
(b) Operating lease commitments					
Future non-cancellable operating lease rentals not provided for and payable:					
Not later than one year		177,007	168,000	-	-
Later than one year and not later than five years		373,754	351,644	-	-
Later than five years		31,706	49,063	-	-
Total (including GST)		**582,467**	**568,707**	**-**	**-**
Contingent rent recognised as an expense (including GST)		1,094	1,055		
Future non-cancellable operating lease rentals receivable:					
Not later than one year		78,450	70,114	-	-
Later than one year and not later than five years		213,271	171,650	-	-
Later than five years		366,155	335,702	-	-
Total (including GST)		**657,876**	**577,466**	**-**	**-**
Contingent rent recognised as income (including GST)		1,984	1,675	-	-
(c) Finance lease commitments					
Minimum lease payment commitments in relation to finance leases payable as follows:					
Not later than one year		439,990	420,878	-	-
Later than one year and not later than five years		1,556,728	1,609,920	-	-
Later than five years		4,699,988	4,873,510	-	-
Minimum lease payment		**6,696,706**	**6,904,308**	**-**	**-**
Less: future finance charges		(3,538,064)	(3,752,070)	-	-
Present value of minimum lease payments		**3,158,642**	**3,152,238**	**-**	**-**
Contingent rent recognised as an expense (including GST)		-	-	-	-
The present value of finance lease commitments is as follows:					
Not later than one year		174,334	154,351	-	-
Later than one year and not later than five years		610,119	640,670	-	-
Later than five years		2,374,189	2,357,217	-	-
Present value of finance lease commitments		**3,158,642**	**3,152,238**	**-**	**-**

22. Commitments for expenditure (cont'd)

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Future finance lease rentals receivable:					
Not later than one year		203	221	-	-
Later than one year and not later than five years		824	845	-	-
Later than five years		24,886	25,977	-	-
Total (including GST)		**25,913**	**27,043**	**-**	**-**
Contingent rent recognised as income (including GST)		-	-	-	-
Finance lease commitments classified as:					
Current borrowings	18	174,334	154,351	-	-
Non-current borrowings	18	2,984,308	2,997,887	-	-
		3,158,642	**3,152,238**	**-**	**-**
(d) Other public and private partnerships contract commitments					
Not later than one year		100,119	92,405	-	-
Later than one year and not later than five years		376,775	371,680	-	-
Later than five years		2,155,750	2,283,631	-	-
Total (including GST)		**2,632,644**	**2,747,716**	**-**	**-**

Input tax on all commitments estimated at $1,720.4 million (2018: $1,185.7 million) (parent entity: nil (2018: nil)) will be recouped from the Australian Taxation Office.

Operating leases payable relate to leases of properties, motor vehicles, rural and regional buses from independent bus operators, light and heavy motor vehicles and maritime assets. Operating leases receivable relate to lease of properties. Finance leases are related to leases of buses from independent bus operators, Sydney Harbour Tunnel and rolling stock PPP contracts.

23. Contingent assets and contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 (2018: nil). The consolidated entity had contingent liabilities and contingent assets at 30 June 2019 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 Orbital, the Lane Cove Tunnel, NorthConnex and WestConnex. 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 $2.4 million (2018: $1.8 million). Compulsory property acquisition matters under litigation have an estimated contingent liability of $700.6 million (2018: $723.1 million). These amounts are net of Treasury Managed Fund (TMF) reimbursement.

There is a dispute in relation to the Sydney Metro Northwest project. The Contractor has claimed extensions of time and costs against Sydney Metro, and Sydney Metro has counter-claimed against the Contractor. There is significant uncertainty as to the extent and amount of any potential financial outcome (either liability or amount recoverable by Sydney Metro) that will arise in relation to these disputes.

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

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

In addition to the above, Transport for NSW and Sydney Metro have a number of litigation proceedings in relation to property acquisitions. The amount of liability, if any, that may arise in relation to these disputes cannot be measured reliably at this time apart from $0.5 million (2018: $0.2 million) which has been quantified by management.

(iii) Letter of comfort

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigations (OTSI) to ensure the ongoing financial viability of OTSI during the 2019 financial year. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligation.

23. Contingent assets and contingent liabilities (cont'd)

(iv) Other matters

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

Certain entities controlled by the Department have environmental matters emerging from their normal operations. There is significant uncertainty as to whether any future liability will emerge due to the early stage of identification or works for many of these matters, and as such a liability cannot be accurately calculated at the date of preparation of these financial statements. Where there is a legal or constructive obligation to undertake remediation and the cost can be reliably estimated a provision is made (refer Note 20).

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

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Net cash inflows/(outflows) from operating activities	10,270,178	9,618,260	110	(72)
Acceptance by the Crown Entity of employee benefits and other liabilities	108,810	54,510	72	145
Depreciation and amortisation	(3,556,799)	(3,451,565)	-	-
Non-cash revenue and expenses	257,199	383,524	(72)	(145)
Derecognition, impairment and write off assets	(279,988)	(199,810)	-	-
Roads and bridges transferred from/(to) councils	(323,766)	(199,364)	-	-
Revaluation increment/(decrement) of assets	(182,174)	(3,586)	-	-
Net gain/(loss) on sale of assets held for sale	(153)	3,077	-	-
(Impairment)/reversal of receivables	(618)	(7,689)	-	-
(Decrease)/increase in receivables, inventories and other assets	(8,469)	287,091	(58)	65
(Increase)/decrease in payables and provisions	(152,984)	(344,485)	(52)	7
Net gain/(loss) on sale of property, plant and equipment	(296,073)	(188,260)	-	-
Reconciliation to net result	**5,835,163**	**5,951,703**	**-**	**-**

25. Non-cash financing and investing activities

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Financial lease liabilities in respect of the acquisition of PPE		(158,780)	(135,773)	-	-
M2 and Eastern Distributor promissory notes		1,782	5,000	-	-
Non-cash financing activities		**(156,998)**	**(130,773)**	**-**	**-**
Plant and equipment acquired by finance lease	13	158,780	135,773	-	-
PPE transfer (to)/from local councils	13	(26,609)	(201,594)	-	-
Value of emerging interests in private sector provided infrastructure	3(h)	270,836	260,439	-	-
Assets recognised for the first time	3(h)	13,461	100,750	-	-
Recognition of Epping to Chatswood Rail Link & Landcom improvement liabilities		(74,069)	(13,657)	-	-
Assets impairment	5	(279,988)	(199,810)	-	-
Assets disposed without cash proceeds		(95,286)	(133,871)	-	-
Major periodic maintenance work by Harbour City Ferries		6,332	5,196	-	-
Equity transfers	29	568,351	(257,211)	-	-
Net revaluation increment/(decrement) in net result	5	(182,174)	(3,586)	-	-
Non-cash investing activities		**359,634**	**(307,571)**	**-**	**-**
Non-cash financing and investing activities		**202,636**	**(438,344)**	**-**	**-**

26. Administered assets and liabilities

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Cash	40,303	39,891	-	-
Administered assets	**40,303**	**39,891**	**-**	**-**
Payables	298,551	322,235	-	-
Administered liabilities	**298,551**	**322,235**	**-**	**-**

Recognition and measurement

The consolidated 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 consolidated entity's own objectives.

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

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

27. Correction of prior year balances

Earthworks valuation

In previous years, the consolidated entity carried bored and excavated tunnels and earthworks including cuttings and embankments at nil value on the basis that the assets could not be reliably measured. In 2017, the consolidated entity valued these assets using advances in technology, improved asset management systems, equipment and technical asset information. On balance, it appeared it may have been possible to reliably value these assets in a prior year. As a result, the consolidated entity recorded an additional $29.9 million in tunnel boring assets and $4,228.8 million in earthworks to correct the value of infrastructure assets with an adjustment to equity in 2017. The nature of the inputs to the valuation made it impractical to retrospectively restate previously reported balances.

Due to concerns around the completeness and the quality of data relating to the earthworks recognised in 2017, the consolidated entity has carried out an extensive process to ensure it has a complete database for all earthworks to support future valuations. Comparing the results of the data collected to the data used in the 2017 earthworks valuation has revealed significant variations, resulting in a decrement in fair value of $2,145.8 million. Accordingly, the prior year has been restated to correct the value of the earthworks, and this has been adjusted against equity in line with the 2017 treatment.

The main reason for the prior period adjustment derives from the use of incorrect assumptions in the 2017 valuation, mainly comprising:

- A larger proportion of assets on flatter terrain than originally assumed in 2017;
- Lower cutting and embankment heights than assumed in 2017;
- Unit rates used in 2017 did not accurately reflect the parameters of the earthworks, and
- Assumptions on the remaining useful life in 2017 did not accurately reflect the condition of the assets.

Additionally, depreciation in the prior year has been restated to correct the amount of earthworks depreciation in line with the corrected fair value (reduction of $61.5 million).

Waterloo Integrated Station Development

In 2018, the consolidated entity entered into a Collaboration Agreement with Urban Growth NSW Development Corporation (UGDC) in respect of the Waterloo Integrated Station Development (ISD), which involves the construction of Waterloo Station and Metro Quarter Development. Under the agreement, UGDC would contribute a total of $360.0 million to the project, being $260.0 million in grants for the construction of Waterloo Station and $100.0 million in consideration for the sale of developable land. In 2018, the consolidated entity received and recognised $160.0 million in contribution revenue. The remaining $200.0 million would be received in future periods.

Further analysis of the arrangements has determined that the right to receive the total contributions and the sale of developable land occurred in 2018 at the time the Collaboration Agreement was entered into. As such, the transaction to dispose of the land is recorded earlier than when proceeds are received, as are the remaining contributions. The consolidated entity has derecognised the carrying value of land disposed ($142.7 million) and recorded the present value of the consideration receivable as proceeds ($88.3 million), with the difference constituting a loss on disposal in 2018, as a prior period adjustment. Similarly the additional contribution revenue has been recognised at its present value ($92.5 million), as a prior period adjustment.

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

27. Correction of prior year balances (cont'd)

Statement of comprehensive income
For the year ended 30 June 2018

	Notes	Consolidated Actual 2018 $'000	Consolidated Adjustment $'000	Consolidated Restated 2018 $'000
Expenses excluding losses				
Operating expenses				
Employee related expenses	2(a)	2,926,805	-	2,926,805
Other operating expenses	2(b)	3,414,321	-	3,414,321
Depreciation and amortisation	2(d)	3,513,052	(61,487)	3,451,565
Grants and subsidies	2(e)	898,123	-	898,123
Finance costs	2(f)	345,810	-	345,810
Other expenses	2(g)	1,052,908	-	1,052,908
Total expenses excluding losses		**12,151,019**	**(61,487)**	**12,089,532**
Revenue				
Appropriation	3(a)	12,262,646	-	12,262,646
Sale of goods and services	3(b)	2,286,848	-	2,286,848
Investment revenue	3(c)	173,392	-	173,392
Retained taxes, fees and fines	3(d)	50,403	-	50,403
Grants and contributions	3(e)	3,132,095	92,466	3,224,561
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	54,510	-	54,510
Other revenue	3(h)	391,710	-	391,710
Total revenue		**18,351,604**	**92,466**	**18,444,070**
Gain/(loss) on disposal	4	(136,022)	(54,389)	(190,411)
Other gains/(losses)	5	(212,424)	-	(212,424)
Impairment losses on financial assets		-	-	-
Net result		**5,852,139**	**99,564**	**5,951,703**
Other comprehensive income				
Items that may be reclassified subsequently to net result				
Net gains/(losses) in commodity swaps and foreign exchange		10,115	-	10,115
Items that will not be reclassified to net result				
Net increase/(decrease) in asset revaluation surplus	13	8,529,253	-	8,529,253
Remeasurement of defined benefit superannuation schemes	19	49,157	-	49,157
Total other comprehensive income		**8,588,525**	**-**	**8,588,525**
Total comprehensive income		**14,440,664**	**99,564**	**14,540,228**

27. Correction of prior year balances (cont'd)

Statement of financial position
as at 1 July 2017 and 30 June 2018

	Notes	Consolidated Actual 1 July 2017 $'000	Consolidated Adjustment $'000	Consolidated Restated 1 July 2017 $'000	Consolidated Actual 2018 $'000	Consolidated Adjustment $'000	Consolidated Restated 2018 $'000
ASSETS							
Current assets							
Cash and cash equivalents	7	2,250,966	-	2,250,966	2,493,008	-	2,493,008
Receivables	8	892,945	-	892,945	1,056,320	43,702	1,100,022
Inventories	9	31,876	-	31,876	31,621	-	31,621
Financial assets at fair value	10	105,154	-	105,154	115,283	-	115,283
Non-current assets held for sale	11	1,018	-	1,018	1,644	-	1,644
Other financial assets	12	285,000	-	285,000	376,887	-	376,887
Total current assets		**3,566,959**	**-**	**3,566,959**	**4,074,763**	**43,702**	**4,118,465**
Non-current assets							
Receivables	8	428,919	-	428,919	1,453,638	137,036	1,590,674
Inventories	9	28,338	-	28,338	31,062	-	31,062
Financial assets at fair value	10	91	-	91	1,693	-	1,693
Other financial assets	12	391,461	-	391,461	223,998	-	223,998
Property plant & equipment							
Land and buildings	13	4,254,225	-	4,254,225	4,234,689	-	4,234,689
Plant and equipment	13	6,278,188	-	6,278,188	6,495,077	-	6,495,077
Infrastructure systems	13	123,422,560	(2,145,823)	121,276,737	136,238,739	(2,226,998)	134,011,741
Property, plant and equipment	13	133,954,973	(2,145,823)	131,809,150	146,968,505	(2,226,998)	144,741,507
Intangible assets	14	1,624,473	-	1,624,473	1,676,639	-	1,676,639
Other assets	15	3,565,763	-	3,565,763	4,929,187	-	4,929,187
Total non-current assets		**139,994,018**	**(2,145,823)**	**137,848,195**	**155,284,722**	**(2,089,962)**	**153,194,760**
Total assets		**143,560,977**	**(2,145,823)**	**141,415,154**	**159,359,485**	**(2,046,260)**	**157,313,225**
LIABILITIES							
Current liabilities							
Payables	17	2,524,608	-	2,524,608	2,860,098	-	2,860,098
Borrowings	18	420,278	-	420,278	263,695	-	263,695
Employee benefits	19	771,580	-	771,580	772,203	-	772,203
Other provisions	20	39,203	-	39,203	70,591	-	70,591
Other liabilities	21	432,529	-	432,529	459,901	-	459,901
Total current liabilities		**4,188,198**	**-**	**4,188,198**	**4,426,488**	**-**	**4,426,488**
Non-current liabilities							
Borrowings	18	5,713,517	-	5,713,517	5,926,176	-	5,926,176
Employee benefits	19	1,089,882	-	1,089,882	1,041,558	-	1,041,558
Other provisions	20	35,307	-	35,307	53,570	-	53,570
Other liabilities	21	828,504	-	828,504	824,658	-	824,658
Total non-current liabilities		**7,667,210**	**-**	**7,667,210**	**7,845,962**	**-**	**7,845,962**
Total liabilities		**11,855,408**	**-**	**11,855,408**	**12,272,450**	**-**	**12,272,450**
Net assets		**131,705,569**	**(2,145,823)**	**129,559,746**	**147,087,035**	**(2,046,260)**	**145,040,775**
EQUITY							
Accumulated funds		105,006,075	(2,145,823)	102,860,252	110,956,938	(2,046,260)	108,910,678
Reserves		23,183,200	-	23,183,200	31,407,083	-	31,407,083
Contributed capital		3,516,294	-	3,516,294	4,723,014	-	4,723,014
Total equity		**131,705,569**	**(2,145,823)**	**129,559,746**	**147,087,035**	**(2,046,260)**	**145,040,775**

28. Financial instruments

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

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

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

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

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

(a) Financial instrument categories

i) As at 30 June 2019 under AASB 9

Consolidated	Note	Category	Carrying amount 2019 $'000
Financial assets			
Class:			
Cash and cash equivalents	7	N/A	2,700,913
Receivables[1]	8	Amortised cost	1,216,947
Financial assets at fair value	10	At fair value through profit or loss - designated as such at initial recognition	119,614
Financial assets at fair value	10	Fair value through profit or loss - mandatory classification	22,784
Other financial assets	12	Amortised cost	337,226
			4,397,484
Financial liabilities			
Class:			
Payables[2]	17,21	Financial liabilities measured at amortised cost	3,336,206
Borrowings	18	Financial liabilities measured at amortised cost	7,513,486
			10,849,692

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

28. Financial instruments (cont'd)

(a) Financial instrument categories (cont'd)

Parent	Note	Category	Carrying amount 2019 $'000
Financial assets			
Class:			
Cash and cash equivalents	7	N/A	386
Receivables[1]	8	Amortised cost	74
			460
Financial liabilities			
Class:			
Payables[2]	17	Financial liabilities measured at amortised cost	274
			274

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

ii) As at 30 June 2018 under AASB 139 (comparative period)

Consolidated	Note	Category	Carrying amount 2018 $'000
Financial assets			
Class:			
Cash and cash equivalents	7	N/A	2,493,008
Receivables[1]	8	Loans and receivables (at amortised cost)	724,576
Financial assets at fair value	10	At fair value through profit or loss designated upon initial recognition	111,565
Financial assets at fair value	10	Fair value through profit or loss	5,411
Other financial assets	12	Loans and receivables/held-to-maturity investments (at amortised cost)	600,885
			3,935,445
Financial liabilities			
Class:			
Payables[2]	17,21	Financial liabilities measured at amortised cost	3,389,859
Borrowings	18	Financial liabilities measured at amortised cost	6,187,682
Financial liabilities at fair value	21	Fair value through profit or loss	2,189
			9,579,730

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

28. Financial instruments (cont'd)

(i) Financial instrument categories (cont'd)

Parent	Note	Category	Carrying amount 2018 $'000
Financial assets			
Class:			
Cash and cash equivalents	7	N/A	276
Receivables[1]	8	Loans and receivables (at amortised cost)	135
			411
Financial liabilities			
Class:			
Payables[2]	17	Financial liabilities measured at amortised cost	240
			240

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

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

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

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

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

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

(b) Derivatives

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

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

All forward foreign exchange have been designated as hedging instruments in cash flow hedges in accordance with AASB 9 Financial Instruments. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

28. Financial instruments (cont'd)

(b) Derivatives (cont'd)

Generally, commodity swap contracts are designated as cash flow hedges. As at 30 June 2019, there were commodity swap contracts in place for distillate and electricity purchases. The distillate swap contracts were designated as cash flow hedges. The only electricity derivative financial instrument in place was an economic hedge to manage exposure to electricity price risk under the approved risk management policies. This electricity derivative is not designated in a hedge relationship under AASB 9 Financial Instruments. It is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge. Changes in the fair value of derivative instruments that are not designated in a hedge relationship are recognised immediately in profit or loss as part of gain/(loss) in fair value of financial instruments.

The consolidated entity held $22.7 million (2018: $5.4 million) in derivative financial assets and $1.3 million (2018: $2.2 million) in derivative financial liabilities. The parent did not have any derivative financial assets or liabilities (2018: nil).

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

				Expected Cash Flow			
Consolidated		**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**
2019	Denominated in US Dollars	0.7338	4,546	4,546	-	-	4,546
	Denominated in US Dollars	0.7341	10,509	-	10,509	-	10,509
	Denominated in US Dollars	0.7468	9,182	-	509	8,673	9,182
	Denominated in US Dollars	0.7347	6,714	-	-	6,714	6,714
	Denominated in Euros	0.6162	8,232	8,232	-	-	8,232
	Denominated in Euros	0.6241	2,600	-	2,600	-	2,600
	Denominated in Euros	0.5879	146,779	-	14,767	132,012	146,779
	Denominated in Euros	0.6111	1,600	-	1,600	-	1,600
	Denominated in Euros	0.6081	586	-	-	586	586
	Denominated in Pounds Sterling	0.5332	231	231	-	-	231
	Denominated in Chinese Yuan	5.2359	89,643	-	8,083	81,560	89,643
	Denominated in Indian Rupee	58.5364	212,303	-	15,389	196,914	212,303
	Foreign exchange contracts		**492,925**	**13,009**	**53,457**	**426,459**	**492,925**
	Favourable		142,859	-	5,010	4,127	9,137
	Non-favourable		13,496	-	8,938	4,558	13,496
	Commodity hedge contracts		**156,355**	**-**	**13,948**	**8,685**	**22,633**
2018	Denominated in US Dollars	0.7372	3,299	3,299	-	-	3,299
	Denominated in US Dollars	0.7326	9,523	-	9,523	-	9,523
	Denominated in US Dollars	0.7629	5,697	-	-	5,697	5,697
	Denominated in Euros	0.6327	1,811	1,811	-	-	1,811
	Denominated in Euros	0.6141	2,506	-	2,506	-	2,506
	Denominated in Euros	0.6361	25,883	17,393	6,454	2,036	25,883
	Denominated in Pounds Sterling	0.5600	1,168	-	1,168	-	1,168
	Foreign exchange contracts		**49,887**	**22,503**	**19,651**	**7,733**	**49,887**
	Favourable		15,813	-	9,945	5,868	15,813
	Non-favourable		1,375	-	2,573	(1,198)	1,375
	Commodity hedge contracts		**17,188**	**-**	**12,518**	**4,670**	**17,188**

28. 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 notes 28(e) and 28(f). Further details on derivatives are provided in notes 10 and note 18.

(c) Credit risk

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

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

Credit risk policy is aimed at minimising the potential for counter party default.

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

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

Cash
Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the prevailing RBA cash rate, adjusted for a management fee to NSW Treasury.

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

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivable have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The consolidated entity has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Trade debtors are written off when there is no reasonable expectation of recovery. No interest is earned on trade debtors. Sales are generally made on 30 day terms.

28. Financial instruments (cont'd)

(c) Credit risk (cont'd)

The expected credit loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

		Expected credit loss rate %	Estimated total gross carrying amount at default $ '000	Expected credit loss $ '000
2019	Current	0.10	24,965	35
	<30 days	1.00	31,222	325
	30-60 days	8.20	6,139	505
	61-90 days	7.60	4,377	332
	>91 days	63.20	12,119	7,661
			78,822	**8,858**
2018	Current	0.05	41,136	21
	<30 days	1.30	18,633	242
	30-60 days	15.68	2,940	461
	61-90 days	24.76	1,131	280
	>91 days	59.40	17,493	10,391
			81,333	**11,395**

[1] Each column in the table reports "gross receivables".
[2] The aging analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7; therefore the total will not reconcile to the receivables total recognised in the Statement of financial position.
[3] There is no credit risk in parent entity in 2019 or 2018.

The parent did not have any expected credit loss on financial assets in 2019 (2018: nil).

Accounting policy for impairment of trade debtors and other financial assets under AASB 139 (comparative period only).

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts. Debtors which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the 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 earned on trade debtors. Sales are generally made on 30 day terms.

The consolidated entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. 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.

28. Financial instruments (cont'd)

(c) Credit risk (cont'd)

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

Consolidated		**Past due but not impaired $ '000**	**Considered impaired $ '000**	**Total $ '000**
2018	< 3 months overdue	31,281	795	32,076
	3 months - 6 months overdue	1,263	691	1,954
	> 6 months overdue	4,191	9,903	14,094
		36,735	**11,389**	**48,124**

[1] Each column in the table reports "gross receivables".
[2] 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.
[3] There is no credit risk in parent entity.

The parent did not have any financial assets that are past due or impaired (2018: nil).

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

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

(d) Liquidity risk

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

The consolidated entity has access to credit facilities with NSW TCorp of $2,712.2 million (2018: $3,714.2 million) of which $2,513.7 million (2018: $3,035.4 million) had been used at reporting date.

28. 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		Interest rate exposure				Maturity dates		
	Weighted average effective interest rate	Nominal amount[1] $ '000	Fixed interest rate $ '000	Variable interest rate $ '000	Non-interest bearing $ '000	< 1 year $ '000	1 - 5 years $ '000	> 5 years $ '000
2019								
Payables								
Trade creditors, accruals and other liabilities		3,336,206	-	-	3,336,206	3,118,242	217,964	-
Borrowings								
TCorp borrowings	2.69	2,519,928	2,437,428	82,500	-	82,500	1,438,600	998,828
Finance leases	7.73	3,158,642	3,158,642	-	-	174,334	547,519	2,436,789
Financial liabilities at amortised cost	7.26	1,833,630	1,833,630	-	-	77,288	329,129	1,427,213
Derivatives financial instruments		1,286	-	-	1,286	779	507	-
		10,849,692	**7,429,700**	**82,500**	**3,337,492**	**3,453,143**	**2,533,719**	**4,862,830**
2018								
Payables								
Trade creditors, accruals and other liabilities		3,389,819	-	-	3,389,819	3,184,083	205,071	665
Borrowings								
TCorp borrowings	3.08	3,035,444	3,005,444	30,000	-	108,665	2,224,091	702,688
Finance leases	7.90	3,152,238	3,152,238	-	-	154,351	649,154	2,348,733
Derivatives financial instruments		2,189	-	-	2,189	679	(2,651)	1,458
		9,579,690	**6,157,682**	**30,000**	**3,392,008**	**3,447,778**	**3,075,665**	**3,053,544**

28. Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

Parent			Interest rate exposure			Maturity dates		
	Weighted average effective int. rate (%)	Nominal amount[1] $ '000	Fixed interest rate $ '000	Variable interest rate $ '000	Non-interest bearing $ '000	< 1 year $ '000	1 - 5 years $ '000	> 5 years $ '000
Trade creditors and accruals		274	-	-	274	274	-	-
Payables		**274**	**-**	**-**	**274**	**274**	**-**	**-**
Trade creditors and accruals		240	-	-	240	240	-	-
Payables		**240**	**-**	**-**	**240**	**240**	**-**	**-**

[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.

28. Financial instruments (cont'd)

(e) Market risk

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

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

The effect on the net result and equity due to a reasonably possible change in risk variable is outlined in the information provided below, for interest rate risk and other price risk including currency movements. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the consolidated entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance date. The analysis is performed on the same basis as for 2018 and assumes that all other variables remain constant.

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

(i) Interest rate risk

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

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

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

(i) Interest rate risk (cont'd)

		-1%		+1%	
Consolidated	**Carrying amount 2019 $'000**	**Net result 2019 $'000**	**Equity 2019 $'000**	**Net result 2019 $'000**	**Equity 2019 $'000**
Financial assets					
Cash and cash equivalents	2,700,913	(27,009)	(27,009)	27,009	27,009
Financial assets at fair value	142,398	(1,424)	(1,424)	1,424	1,424
Other financial assets	337,226	(3,372)	(3,372)	3,372	3,372
	3,180,537	**(31,805)**	**(31,805)**	**31,805**	**31,805**
Financial liabilities					
Borrowings	7,513,486	825	825	(825)	(825)
	7,513,486	**825**	**825**	**(825)**	**(825)**

		-1%		+1%	
Consolidated	**Carrying amount 2018 $'000**	**Net result 2018 $'000**	**Equity 2018 $'000**	**Net result 2018 $'000**	**Equity 2018 $'000**
Financial assets					
Cash and cash equivalents	2,493,008	(24,933)	(24,933)	24,933	24,933
Financial assets at fair value	116,976	(1,116)	(1,116)	1,116	1,116
Other financial assets	600,885	(5,999)	(5,999)	5,999	5,999
	3,210,869	**(32,048)**	**(32,048)**	**32,048**	**32,048**
Financial liabilities					
Borrowings	6,189,871	300	300	(300)	(300)
	6,189,871	**300**	**300**	**(300)**	**(300)**

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

(i) Interest rate risk (cont'd)

		-1%		+1%	
Parent	**Carrying amount 2019 $'000**	**Net result 2019 $'000**	**Equity 2019 $'000**	**Net result 2019 $'000**	**Equity 2019 $'000**
Financial assets					
Cash and cash equivalents	386	(4)	(4)	4	4
	386	**(4)**	**(4)**	**4**	**4**

		-1%		+1%	
Parent	**Carrying amount 2018 $'000**	**Net result 2018 $'000**	**Equity 2018 $'000**	**Net result 2018 $'000**	**Equity 2018 $'000**
Financial assets					
Cash and cash equivalents	276	(3)	(3)	3	3
	276	**(3)**	**(3)**	**3**	**3**

(ii) Foreign exchange risk

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

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

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

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

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

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

(ii) Foreign rate risk (cont'd)

			+10%		-10%	
Consolidated		**Contract value $ '000**	**Net result $ '000**	**Equity $ '000**	**Net result $ '000**	**Equity $ '000**
2019	Denominated in US Dollars	30,951	(43)	1,723	52	(1,082)
	Denominated in Euros	159,797	(647)	(10,858)	791	13,821
	Denominated in Pounds Sterling	231	-	25	-	(20)
	Denominated in Chinese Yuan	89,643	(417)	(7,925)	510	9,687
	Denominated in Indian Rupee	212,303	(1,013)	(19,245)	1,238	23,522
	Foreign exchange contracts	**492,925**	**(2,120)**	**(36,280)**	**2,591**	**45,928**
2018	Denominated in US Dollars	18,519	-	2,079	-	(1,702)
	Denominated in Euros	30,200	-	3,057	-	(2,972)
	Denominated in Pounds Sterling	1,168	-	129	-	(105)
	Foreign exchange contracts	**49,887**	**-**	**5,265**	**-**	**(4,779)**

There is no foreign rate risk in parent entity.

(iii) Commodity price risk

The consolidated entity is exposed to a range of commodity price risks, principally from distillate and electricity purchases.

Australian dollar costs under the supply agreements price mechanism for distillate are reflective of movements in Singapore Gas Oil prices and AUD/USD exchange rates. The consolidated entity hedges its distillate exposure by entering into Singapore Gas Oil swap and US Dollar forward contracts. These distillate swap contracts are designated as cash flow hedges.

The consolidated entity is exposed to electricity price risk associated with the purchase of electricity to operate to operate transport services. The exposure to fluctuations in wholesale market prices is managed by entering into fixed price supply arrangements with retailers or to hedge forecast exposure on a portion of the consolidated entity's energy load. Generally, electricity swap contracts are designated as cash flow hedges. However as at 30 June 2018, the only electricity derivative financial instrument was not designated in a hedge relationship under AASB 139 Financial Instruments: Recognition and Measurement. This derivative is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge.

The consolidated entity's exposure to commodity price risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of commodity swap contracts designated as cash flow hedge**.** A sensitivity of 10% movement in the spot price of the respective commodities has been selected for use in the sensitivity analysis at the reporting date.

			10%		-10%	
Consolidated		**Contract value $ '000**	**Net Result $ '000**	**Equity $ '000**	**Net Result $ '000**	**Equity $ '000**
2019	Distillate	22,355	-	2,236	-	(2,236)
2019	Electricity	76,080	7,608	-	(7,608)	-
2019		**98,435**	**7,608**	**2,236**	**(7,608)**	**(2,236)**
2018	Distillate	18,386	-	1,839	-	(1,839)
2018	Electricity	76,080	7,608	-	(7,608)	-
2018		**94,466**	**7,608**	**1,839**	**(7,608)**	**(1,839)**

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

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

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

Facility	Investment sectors	Investment horizon	2019 $ '000	2018 $ '000
Cash facility	Cash, money market instruments	up to 1.5 years	-	-
Strategic Cash facility	Cash, money market instruments, interest rate securities, bank floating rate notes	1.5 years to 3 years	-	-
Medium term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	3 years to 7 years	81,475	76,563
Long term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	7 years and over	38,140	35,002

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 consolidated entity's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information. The 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.

28. 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:

Consolidated	Carrying amount 2019 $'000	Fair value 2019 $'000	Fair value level 2019
Financial liabilities			
Borrowings	2,519,928	2,661,946	2
	2,519,928	**2,661,946**	

Consolidated	Carrying amount 2018 $'000	Fair value 2018 $'000	Fair value level 2018
Financial liabilities			
Borrowings	3,035,444	3,112,376	2
	3,035,444	**3,112,376**	

28. Financial instruments (cont'd)

(g) Fair value hierarchy

Consolidated	Level 1 2019 $'000	Level 2 2019 $'000	Level 3 2019 $'000	Total 2019 $'000
Financial assets				
Derivative financial instruments	-	22,784	-	22,784
TCorp Hour-Glass investment facility	-	119,615	-	119,615
	-	**142,399**	**-**	**142,399**
Financial liabilities				
Derivative financial instruments	-	1,286	-	1,286
Borrowings	-	2,519,928	-	2,519,928
	-	**2,521,214**	**-**	**2,521,214**

Consolidated	Level 1 2018 $'000	Level 2 2018 $'000	Level 3 2018 $'000	Total 2018 $'000
Financial assets				
Derivative financial instruments	-	5,411	-	5,411
Tcorp-Hour Glass investment facility	-	111,565	-	111,565
	-	**116,976**	**-**	**116,976**
Financial liabilities				
Derivative financial instruments	-	2,189	-	2,189
Borrowings	-	3,112,376	-	3,112,376
	-	**3,114,565**	**-**	**3,114,565**

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

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

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

The fair value of the 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.

29. Equity and reserves

(a) Equity transfers

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Land transferred (to)/from Department of Planning and Environment[1]	13	(2,661)	(251,545)	-	-
Cash transferred to Department of Finance, Services and Innovation[2]		-	(8,708)	-	-
Borrowings transferred to the Crown Entity[3]		571,012	-	-	-
Other net equity transfer of property, plant and equipment[4]	13	-	(5,666)	-	-
Equity transfers		**568,351**	**(265,919)**	**-**	**-**

[1] In 2019 land valued at $2.7 million (2018: $14.2 million) was cleared for return to the Department of Planning and Environment from Roads and Maritime Services having been scoped out of future construction works. In 2018, the Minister for Transport and Infrastructure vested surplus lands valued at $237.3 million related to the South West Rail Link project from Transport for NSW to the Department of Planning and Environment and it was accounted for as an adjustment to equity effective 9 January 2018.

[2] Cash totalling $8.7 million was transferred out from Roads and Maritime Services to the Department of Finance, Services and Innovation (DFSI) as a result of an administrative order whereby Roads and Maritime Services' administrative functions in relation to tow trucks were transferred to DFSI effective on 1 July 2017.

[3] The Treasurer approved the transfer of TCorp borrowings $571.0 million from Transport for NSW to the Crown Finance Entity on 26 June 2019.

[4] In 2018 other net equity transfers of property, plant and equipment comprised: administrative land and buildings valued at $3.1 million transferred out from Roads and Maritime Services to Property NSW under Ministerial Order; land valued at $1.0 million transferred out from Roads and Maritime Services to the Office of Environment Heritage for compensatory habitat loss as a result of road widening work; and surplus land related to the rail corridor between Rosewood and Tumbarumba valued at $1.6 million transferred out from Transport for NSW to the NSW Department of Industry.

Recognition and measurement

Equity transfers represent the transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with NSW Treasury Policy and Guidelines Paper Accounting Policy: Contributions by owners made to wholly-owned Public Sector Entities (TPP 09-03), AASB 1004 Contributions and Australian Interpretation 1038 Contributions by Owners made to Wholly-owned Public Sector Entities.

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

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

29. Equity and reserves (cont'd)

(b) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the consolidated entity's policy on the revaluation of property, plant and equipment as discussed in note 13 (recognition and measurement (ii) and(iii)).

(c) Hedge reserve

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

(d) Accumulated funds

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

(e) Other reserves

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

(f) Contributed capital

In accordance with TPP 09-03, the transfer of cash from NSW Treasury to fund capital construction of major rail projects in RailCorp is treated as an equity contribution.

30. Related party disclosures

(a) Key management personnel compensation

	Consolidated 2019 $'000	Parent 2019 $'000	Consolidated 2018 $'000	Parent 2018 $'000
Short-term employee benefits	4,204	-	3,040	-
Post-employment benefits	159	-	121	-
Other long-term benefits	-	-	-	-
Termination benefits	376	-	-	-
	4,739	**-**	**3,161**	**-**

(b) Transactions and outstanding balances with key management personnel of the Department and its parent during the financial year

There were no material transactions or outstanding balances with key management personnel of the Department and its parent during the financial year.

30. Related party disclosures (cont'd)

(c) Transactions and outstanding balances with other related parties during the financial year

There were no transactions or outstanding balances with other related parties during the financial year.

(d) Transactions with government related entities during the financial year

During the 2019 financial year, the consolidated entity entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Capital funding via equity from NSW Treasury
- Grants and contributions from NSW Treasury to fund redundancy grants in the Transport cluster, Roads and Maritime Services capital works, Sydney Metro City and Southwest project funded by Restart NSW, Northern Beaches B-line project and Parramatta Light Rail project
- Grants and contributions from the Department of Planning and Environment, Landcom, City of Sydney Council for light rail, Office of Environment and Heritage, the Department of Justice the Department of Family & Community Services for the Commonwealth Home Support Program and various NSW government agencies
- Grants and subsidies paid to various NSW government agencies including the Department of Education, the State Insurance Regulatory Authority for Centre for Road Safety, local councils for the Commonwealth Home Support Program and the NSW Police to support drug and alcohol screening
- All long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW, Roads and Maritime Services and all senior executives were assumed by the Crown
- The Pooled Fund held in trust the investment relating to the closed NSW public sector superannuation schemes
- Investment in TCorp Hourglass facilities and investment revenue earned from these facilities
- NSW TCorp borrowings and associated interest expense
- Borrowings transferred to the Crown Finance Entity

31. After balance date events

On 13 July 2019, WestConnex Stage 1B was formally opened to traffic. The concession holder will operate this stage until 2060, after which the motorway will be transferred back to RMS.

In the 2019-20 financial year, RMS-owned infrastructure assets that were contributed towards this stage will be derecognised. Subsequently, a non-cash prepayment will be recognised and amortised over the service concession period. The estimated value of the assets contributed is $72.1 million.

An emerging asset will also be recognised in accordance with TPP06-08 Accounting for Privately Financed Projects. The financial effect of the emerging asset cannot be estimated at the time of financial statements preparation.

Aside from above, no other events have occurred after the balance date that would have a material impact on the financial statements.

End of Audited Financial Statements

INDEPENDENT AUDITOR'S REPORT

Department of Transport

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Department of Transport (the Department), which comprise the Statement of comprehensive income for the year ended 30 June 2019, the Statement of financial position as at 30 June 2019, 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. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Department and the consolidated entity as at 30 June 2019, 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 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

The Department's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Department is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the Department's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Department or the consolidated entity carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Margaret Crawford
Auditor-General for NSW

14 October 2019
SYDNEY

Transport for NSW

Annual Financial Statements

for the year ended 30 June 2019

Table of contents

Transport for NSW
Statement by the Secretary
for the year ended 30 June 2019

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* (the Act) and the *Public Finance and Audit Regulation 2015*; and
- The Treasurer's Directions issued under the Act;

(b) The statements exhibit a true and fair view of the financial position of Transport for NSW as at 30 June 2019, and of its financial performance for the year then ended; and

(c) There are no known circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Elizabeth Mildwater
Acting Secretary

Date: 1 October 2019

Transport for NSW
Statement of comprehensive income
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Restated 2018 $'000
Expenses excluding losses			
Operating expenses			
Personnel service expenses	2(a)	481,179	473,410
Other operating expenses	2(b)	780,054	811,114
Major rail project expenses	2(c)	1,528,396	1,205,981
Depreciation and amortisation	2(d)	605,309	494,209
Grants and subsidies	2(e)	12,951,849	9,122,038
Finance costs	2(f)	84,633	96,588
Other expenses	2(g)	1,521,091	1,337,360
Total expenses excluding losses		**17,952,511**	**13,540,700**
Revenue			
Appropriation	3(a)	12,167,574	12,262,646
Sale of goods and services	3(b)	550,010	337,692
Investment revenue	3(c)	24,094	19,224
Shared and corporate services revenue	3(d)	152,265	230,418
Grants and contributions	3(e)	4,145,873	3,103,671
Major rail project revenue	3(f)	1,528,396	1,205,981
Resources received free of charge	3(g)	35,062	20,354
Other revenue	3(h)	-	51,405
Total revenue		**18,603,274**	**17,231,391**
Gain/(loss) on disposal	4	(2,060)	(105,050)
Other gains/(losses)	5	(30,167)	(57,072)
Net result		**618,536**	**3,528,569**
Other comprehensive income			
Items that may be reclassified subsequently to net result			
Net gains/(losses) in commodity swaps and foreign exchange		(290)	1,796
Items that will not be reclassified to net result			
Net increase/(decrease) in asset revaluation surplus	12	796	-
Total other comprehensive income		**506**	**1,796**
Total comprehensive income		**619,042**	**3,530,365**

The accompanying Notes form part of these financial statements.
See Note 25 for details regarding restated prior year balances.

Transport for NSW
Statement of financial position
as at 30 June 2019

	Notes	Actual 2019 $'000	Restated 2018 $'000	Restated 1 July 2017 $'000
ASSETS				
Current assets				
Cash and cash equivalents	7	841,657	756,784	754,685
Receivables	8	373,531	663,694	490,289
Financial assets at fair value	9	9	442	20
Non-current assets held for sale	10	15,472	-	-
Other financial assets	11	-	30,000	85,000
Total current assets		**1,230,669**	**1,450,920**	**1,329,994**
Non-current assets				
Financial assets at fair value	9	-	73	21
Other financial assets	11	1,205	1,006	929
Property plant and equipment				
Land and buildings	12	575,351	265,533	315,717
Plant and equipment	12	1,902,313	1,481,414	1,408,195
Infrastructure systems	12	6,051,693	10,159,070	8,189,230
Property, plant and equipment	12	8,529,357	11,906,017	9,913,142
Intangible assets	13	716,795	941,363	858,803
Other assets	14	1,057,028	2,777,321	1,661,509
Total non-current assets		**10,304,385**	**15,625,780**	**12,434,404**
Total assets		**11,535,054**	**17,076,700**	**13,764,398**
LIABILITIES				
Current liabilities				
Payables	16	1,008,558	1,275,494	1,545,537
Borrowings	17	105,418	561,981	201,207
Provisions	18	14,038	16,295	4,035
Other liabilities	19	385,519	173,809	195,799
Total current liabilities		**1,513,533**	**2,027,579**	**1,946,578**
Non-current liabilities				
Borrowings	17	765,321	1,018,147	1,388,248
Provisions	18	9,000	16,538	7,871
Other liabilities	19	45	190,039	176,381
Total non-current liabilities		**774,366**	**1,224,724**	**1,572,500**
Total liabilities		**2,287,899**	**3,252,303**	**3,519,078**
Net assets		**9,247,155**	**13,824,397**	**10,245,320**
EQUITY				
Accumulated funds		8,394,068	12,965,718	9,388,437
Reserves		853,087	858,679	856,883
Total equity		**9,247,155**	**13,824,397**	**10,245,320**

The accompanying Notes form part of these financial statements.
See Note 25 for details regarding restated prior year balances.

Transport for NSW
Statement of changes in equity
for the year ended 30 June 2019

	Notes	Accumulated funds $ '000	Asset revaluation surplus $ '000	Hedge reserve $ '000	Total equity $ '000
Restated balance at 1 July 2018		12,965,718	858,379	300	13,824,397
Net result for the year		**618,536**	**-**	**-**	**618,536**
Other comprehensive income					
Net gains/(losses) in commodity swaps and foreign exchange		-	-	(290)	(290)
Net increase/(decrease) in asset revaluation surplus	12	-	796	-	796
Total other comprehensive income		**-**	**796**	**(290)**	**506**
Total comprehensive income for the year		**618,536**	**796**	**(290)**	**619,042**
Transactions with owners in their capacity as owners					
Transfers to/from reserves to accumulated funds		6,098	(6,098)	-	-
Equity transfers	23	576,004	-	-	576,004
Increase/(decrease) in net assets from administrative restructure	27	(5,772,288)	-	-	(5,772,288)
Balance at 30 June 2019		**8,394,068**	**853,077**	**10**	**9,247,155**
Balance at 1 July 2017		11,534,260	858,379	(1,496)	12,391,143
Restatement of infrastructure assets	25	(2,145,823)	-	-	(2,145,823)
Restated balance at 1 July 2017		**9,388,437**	**858,379**	**(1,496)**	**10,245,320**
Restated net result for the year		**3,528,569**	**-**	**-**	**3,528,569**
Other comprehensive income					
Net gains/(losses) in commodity swaps and foreign exchange		-	-	1,796	1,796
Total other comprehensive income		**-**	**-**	**1,796**	**1,796**
Total comprehensive income for the year		**3,528,569**	**-**	**1,796**	**3,530,365**
Transactions with owners in their capacity as owners					
Equity transfers	23	48,712	-	-	48,712
Restated balance at 30 June 2018		**12,965,718**	**858,379**	**300**	**13,824,397**

The accompanying Notes form part of these financial statements.

See Note 25 for details regarding restated prior year balances.

Transport for NSW
Statement of cash flows
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Actual 2018 $'000
Cash flows from operating activities			
Payments			
Cash transfers to the Consolidated Fund		-	(46,767)
Personnel services		(426,207)	(464,706)
Grants and subsidies		(12,819,044)	(9,042,244)
Finance costs		(84,633)	(96,587)
Bus, ferry and light rail contract payments		(1,512,598)	(1,327,350)
Electronic ticketing systems payments to operators		(1,794,115)	(1,700,242)
Other		(2,339,907)	(2,918,102)
Total payments		**(18,976,504)**	**(15,595,998)**
Receipts			
Appropriation		12,167,574	12,262,646
Sale of goods and services		2,601,108	2,466,492
Interest received		11,978	11,269
Grants and contributions		4,209,472	3,011,205
Electronic ticketing systems cardholder receipts		1,831,338	1,699,072
Total receipts		**20,821,470**	**19,450,684**
Net cash flows from operating activities	20	**1,844,966**	**3,854,686**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		8,270	49,847
Purchases of property, plant and equipment and intangible assets		(1,760,120)	(3,826,790)
Proceeds from sale of investments		30,000	55,000
Other		(1,702)	1,427
Net cash flows from investing activities		**(1,723,552)**	**(3,720,516)**
Cash flows from financing activities			
Proceeds from borrowings and advances		-	577
Repayment of borrowings and advances		(72,196)	(132,648)
Net cash flows from financing activities		**(72,196)**	**(132,071)**
Net increase/(decrease) in cash		**49,218**	**2,099**
Opening cash and cash equivalents		756,784	754,685
Cash and cash equivalents transferred (out)/in as a result of administrative restructure	27	35,655	-
Closing cash and cash equivalents	7	**841,657**	**756,784**

The accompanying Notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Transport for NSW - Reporting entity

Transport for NSW was established on 1 November 2011 as a not for profit statutory authority (as profit is not its principal objective) and it has no cash generating units. Its roles include planning, procurement, delivery and coordination of transport services and infrastructure in NSW.

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

- Roads and Maritime Services
- Sydney Ferries
- State Transit Authority
- Rail Corporation New South Wales
- Sydney Trains
- NSW Trains
- Residual Transport Corporation
- Sydney Metro

On 1 July 2018 Sydney Metro was constituted as a corporation under the *Transport Administration Amendment (Sydney Metro) Act 2018*. Transport for NSW has determined that Sydney Metro is an entity under its control from 1 July 2018 for financial reporting purposes. The purpose of Sydney Metro is to deliver safe and reliable metro passenger services in an efficient, effective and financially responsible manner; and to facilitate and carry out the orderly and efficient development of land in the locality of metro stations, depots and stabling yards.

Under AASB 10 *Consolidated Financial Statements,* Transport for NSW is exempted from preparing consolidated financial statements on the basis that the Department of Transport, as the parent entity of Transport for NSW, produces consolidated financial statements. These financial statements are for the Transport for NSW parent entity only.

Rail Corporation New South Wales (RailCorp) will progressively transition to the Transport Asset Holding Entity (TAHE). TAHE may eventually hold additional public transport assets for the State, including public transport assets currently held by Transport for NSW. The transfer of assets is intended to occur progressively over the next few years.

Transport for NSW is consolidated as part of the NSW Total State Sector Accounts, which is the ultimate parent. The financial statements of Transport for NSW for the year ended 30 June 2019 were authorised for issue by the Secretary on the date the accompanying Statement was signed.

(b) Basis of preparation

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

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

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

(b) Basis of preparation (cont'd)

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and certain financial assets and liabilities are measured at fair value. Certain bus contracts are classified as finance leases in accordance with AASB 117 *Leases* and all finance leased bus assets are carried at fair value from 31 March 2017. Borrowings are initially measured at the fair value of the consideration received and subsequently using the effective interest method. Other financial report items are prepared in accordance with historical cost convention except where specified otherwise.

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

(c) Critical accounting estimates, judgement and assumptions

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

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

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

(d) Statement of compliance

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

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

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

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

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

(f) Foreign currency translation

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

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

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

(f) Foreign currency translation (cont'd)

of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results, respectively).

(g) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. Comparatives have been adjusted to reflect prior period adjustments. Refer to Note 25.

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

(i) Effective for the first time in 2019

Transport for NSW has adopted AASB *9 Financial Instruments*, which resulted in changes in accounting policies in respect of recognition, classification and measurement, derecognition, impairment and hedge accounting of financial instruments. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures.*

Transport for NSW applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments*: *Recognition and Measurement*. Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The hedge accounting requirements of AASB 9 have been applied prospectively.

(a) Classification and measurement of financial instruments

On 1 July 2018 (date of initial application of AASB 9), Transport for NSW's management has assessed which business models apply to the financial assets held by the reporting entity and has classified its financial instruments into the appropriate AASB 9 categories.

The classification and measurement requirements of AASB 9 did not have a significant impact to Transport for NSW. Transport for NSW continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the key changes in the classification of the entity's financial assets:

- Receivables and other financial assets classified as 'Loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.
- There are no changes in the classification and measurement for the entity's financial liabilities.

In summary, upon the adoption of AASB 9, Transport for NSW had the following required or elected reclassifications as at 1 July 2018:

	Measurement category		Carrying amount		
	AASB 139	AASB 9	Original $'000	New $'000	Difference $'000
Financial Assets					
Receivables	L&R[1]	Amortised cost	247,807	247,807	-
Financial assets at fair value	FVPL[2]	FVPL	515	515	-
Other financial assets	L&R	Amortised cost	31,006	31,006	-

[1]L&R – Loans and receivables
[2]FVPL – Fair value through profit or loss

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

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

(b) Impairment

The adoption of AASB 9 has changed the accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the recognition of an allowance for ECLs for all debt instruments not held at FVPL. There is no material impact on adopting the new impairment model.

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

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 2014-5 *Amendments to Australian Accounting Standards* arising from AASB 15 and AASB 1058 *Income of Not-for-Profits*:
  - AASB 15 *Revenue from Contracts with Customers*, including the amendments AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8 will apply to annual reporting periods beginning on or after 1 January 2019. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which Transport for NSW expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 *Revenue*, revenue recognition is currently based on when risks and rewards are transferred.

    AASB 1058 *Income of Not-for-profit Entities* is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 *Contributions* (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, Transport for NSW will need to determine whether a transaction is a 'donation', that is, consideration received below fair value primarily to enable the entity to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

    The standards will result in the identification of separate performance obligations that could change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies.

  - Under AASB 1058, Transport for NSW will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by Transport for NSW.
  - Transport for NSW will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.
  - Based on the impact assessments Transport for NSW has undertaken on currently available information, it is estimated that the adoption of AASB 15 and AASB 1058 will not have a material net impact on the Statement of comprehensive income, considering Transport for NSW's funding and expenditure profile. Transport for NSW is currently assessing if these standards could potentially gross up revenue and expenses albeit with no or insignificant net impact to the Statement of comprehensive income.
- AASB 16 *Leases* will apply to annual reporting periods beginning on or after 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The application of this standard is expected to have a significant transitional impact as a result of operating leases being brought onto the balance sheet, except those that are short term and low value leases.
  - Transport for NSW will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. Transport for NSW will also adopt the practical expedient whereby the fair value of the right-of use asset will be the same as the lease liability at 1 July 2019.

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

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

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

- Based on the impact assessments on currently available information, it is estimated that additional lease liabilities of $224.5 million and equivalent right-of-use assets will be recognised as at 1 July 2019 for leases in which TfNSW is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the statement of comprehensive income is expected to be $3.4 million.

- AASB 1059 *Service Concession Arrangements*: Grantors will apply to annual reporting periods beginning on or after 1 January 2020. The standard requires the grantor to recognise a service concession asset, at current replacement cost, in a service concession arrangement where it controls the asset. A corresponding liability is also recognised depending on the nature of the consideration exchanged. Transport for NSW is currently undertaking a detailed assessment of the impact of AASB 1059 for all arrangements with public and private sector operators.

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

Standard	Applicable to annual reporting periods beginning on or after
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020
Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2019

2. Expenses excluding losses

(a) Personnel service expenses

	2019 $'000	2018 $'000
Salaries and wages (including annual leave)	373,260	374,457
Superannuation - defined benefit plans	3,889	3,341
Superannuation - defined contribution plans	32,045	31,979
Long service leave	29,141	16,000
Workers' compensation insurance	1,144	603
Payroll tax and fringe benefits tax	25,071	23,996
Redundancy payments	16,274	21,738
Other	355	1,296
Personnel service expenses	**481,179**	**473,410**

In addition to the above, $189.4 million (2018: $200.5 million) has been included in major rail project expenses, non-cash grant expenses and capitalised in intangible assets.

2. Expenses excluding losses (cont'd)

(b) Other operating expenses

	2019 $'000	2018 $'000
Auditor's remuneration - audit of financial statements	557	520
Advertising and marketing	36,568	49,716
Telecommunications	24,896	28,236
Electricity, gas and water	5,360	3,594
Fleet hire and leasing charges including access fees	4,610	2,376
General expenses	58,356	30,761
Information technology	191,444	181,830
Insurance	1,219	1,701
Legal services	2,998	6,530
External maintenance costs	103,020	130,960
Office expenses	20,395	19,508
Consultants and other contractors	262,125	285,779
Property rent and other related expenses	61,694	63,814
Security costs	2,898	1,325
Travel expenses	3,914	4,464
Other operating expenses	**780,054**	**811,114**

Reconciliation - total maintenance		
Maintenance expense-contracted labour and other (non-employee related), as above	103,020	130,960
Employee related maintenance expense included in note 2(a)	3,083	3,327
Total maintenance expense included in Note 2(a)+ 2(b)	**106,103**	**134,287**

The external maintenance costs have been reclassed to other operating expenses and in 2018 were reported as a separate note for maintenance.

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

(c) Major rail project expenses

	2019 $'000	2018 $'000
Personnel related expenses	98,891	106,283
Consultants and other contractors	1,369,769	996,927
Property acquisition	19,669	33,691
Insurance	449	-
Legal services	10,170	17,000
Rent and other related expenses	11,094	18,163
Information technology and telecommunication expenses	11,714	7,573
Other	6,640	26,344
Major rail project expenses	**1,528,396**	**1,205,981**

Gross amount due from/ (to) RailCorp and billing to date are as follows:		
Costs incurred	(1,528,396)	(1,205,981)
Billings to date	1,528,396	1,205,981
Gross amount due from RailCorp	**-**	**-**

2. Expenses excluding losses (cont'd)

(d) Depreciation and amortisation

	Notes	2019 $'000	2018 $'000
Road and maritime infrastructure systems			
Road and maritime infrastructure systems		7	7
Infrastructure systems			
Rail systems		186,430	212,181
Buildings			
Buildings		19,508	8,707
Plant and equipment			
Rolling stock		2,032	1,424
Ferries		276	276
Buses		42,082	5,532
Plant and equipment		150,338	61,006
Finance leased buses		90,682	116,772
Depreciation	12	**491,355**	**405,905**
Computer systems		111,156	85,581
Right of use		2,798	2,723
Amortisation	13	**113,954**	**88,304**
Depreciation and amortisation		**605,309**	**494,209**

Please refer to Note 12 and 13 for recognition and measurement policies on depreciation and amortisation.
Depreciation has been restated to be $61.5 million lower in the prior year. Refer to Note 25.

2. Expenses excluding losses (cont'd)

(e) Grants and subsidies

	2019 $'000	2018 $'000
Taxi Transport Subsidy Scheme	42,159	40,693
Community transport groups	88,555	79,463
Private Vehicle Conveyance	20,600	21,985
Carparks and interchanges	7,745	8,643
Grants to councils - maintenance of transport infrastructure	10,493	3,891
National transport regulators	6,893	10,020
Road safety grant to NSW Police	36,328	26,529
Rail services and capital works	2,129,809	2,130,892
Roads and Maritime services & capital works	7,739,448	6,761,499
Ferry capital works	3,984	-
Point to point assistance package[1]	23,659	-
Sydney Metro services & capital works[2]	2,690,580	-
Others	120,996	26,612
Other transport operators	30,600	11,811
Grants and subsidies	**12,951,849**	**9,122,038**

[1] Point to Point assistance was provided to taxi licence holders in 2017 following the NSW Government's reforms to the taxi and hire car industries. The Transitional Assistance Payment Scheme was re-opened from July to October 2018.
[2] On 1 July 2018, Sydney Metro was constituted as a corporation under the *Transport Administration Amendment (Sydney Metro) Act 2018*.

(f) Finance costs

	2019 $'000	2018 $'000
Finance lease interest charges	55,730	81,730
Interest expense on NSW TCorp borrowings	22,761	14,858
Other finance costs	6,142	-
Finance costs	**84,633**	**96,588**

(g) Other expenses

	2019 $'000	2018 $'000
Bus contract payments - metropolitan and outer metro bus operators	964,397	804,216
Major events - hire of bus and rail services	8,493	10,007
Ferry contract payments	87,636	82,985
Light rail contract payments	43,124	38,057
Bus contract payments - rural and regional bus operators	410,824	393,354
Nightride bus services	6,617	8,741
Other expenses	**1,521,091**	**1,337,360**

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

2. Expenses excluding losses (cont'd)

Recognition and measurement

(i) Personnel services expenses

Transport for NSW cannot directly employ staff. The personnel services are provided by the Transport Service of New South Wales and the Department of Transport. As a result, Transport for NSW reports personnel service expenses, not employee related expenses. Personnel service expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies.

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.

(ii) Other operating expenses

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

(iii) Insurance

Transport for NSW arranges insurance cover through the NSW Treasury Managed Fund Scheme 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.

(iv) Operating leases

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

(v) Major rail project expenses

Transport for NSW manages the design and construction of major rail projects on behalf of RailCorp. Since 1 July 2015, RailCorp receives a direct equity injection from the Crown Entity to fund its contract activities with Transport for NSW. Under this funding arrangement, RailCorp reimburses Transport for NSW for construction costs incurred on a monthly basis. The arrangement is considered to be in the nature of construction contracts and is recognised in accordance with AASB 111 *Construction Contracts*. These expenses are recovered through major rail project revenue.

(vi) 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.

(vii) 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.

3. Revenue

(a) Appropriation

		2019 $'000		2018 $'000	
	Notes	**Appropriation**	**Expenditure**	**Appropriation**	**Expenditure**
Original budget per Appropriation Act/expenditure		11,317,874	12,167,574	12,766,708	12,262,646
Supplementations (Appropriation Act s26 & 27)		967,048	-	(5,000)	-
Total appropriations/expenditure/ net claim on Consolidated Fund (includes transfer payments)		**12,284,922**	**12,167,574**	**12,761,708**	**12,262,646**
Appropriation drawn down			12,167,574		12,262,646
Liability to Consolidated Fund			**-**		**-**

	2019	2018
Appropriation (per Statement of comprehensive income)	**12,167,574**	**12,262,646**
Comprising:		
Recurrent appropriation	11,140,913	10,523,134
Capital appropriation	1,026,661	1,739,512
	12,167,574	**12,262,646**

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

The liability to Consolidated Fund represents the difference between the 'amount drawn down against appropriations' and the 'expenditure / net claim on Consolidated Fund'

(b) Sale of goods and services

	2019 $'000	2018 $'000
Passenger service revenue	109,249	20,350
Fees for services rendered including salary recoupments	16,660	19,664
Access fees	9,072	10,341
Other	28,342	14,423
Major events revenue	5,845	5,834
Training	5,034	5,672
Recoupment of project costs	375,808	261,408
Sale of goods and services	**550,010**	**337,692**

3. Revenue (cont'd)

(c) Investment income

	2019 $'000	2018 $'000
Rental Income	16,999	3,737
Interest income from financial assets not at fair value through profit or loss	7,095	15,487
Investment revenue	**24,094**	**19,224**

(d) Shared and corporate services revenue

	2019 $'000	2018 $'000
Shared and corporate services revenue	152,265	230,418
Shared and corporate services revenue	**152,265**	**230,418**

(e) Grants and contributions

	2019 $'000	2018 $'000
Department of Family and Community Services[1]	73,418	71,732
Urban Growth NSW Development Corporation[2]	-	252,466
Developer contributions	5,552	1,893
Grants from other transport agencies	4,570	-
Crown Entity[3]	4,059,081	2,777,580
Other government agencies	3,252	-
Grants and contributions	**4,145,873**	**3,103,671**

[1] Transport for NSW received grants of $73.4 million (2018: $71.7 million) from the Department of Family and Community Services for the Commonwealth Home Support Program.
[2] Transport for NSW received a capital contribution of $nil million (2018: $252.5 million) from Urban Growth NSW Development Corporation for the Sydney Metro City & South West project. The amount in the prior year has been restated to be $92.5 million higher, refer to Note 25.
[3] Transport for NSW received grants from the Crown Entity of $42.0 million (2018: $67.4 million) to fund redundancies in the Transport cluster, $1,681.2 million (2018: $889.7 million) for RMS capital works, $1,927.2 million (2018: $1,484.7 million) for Sydney Metro City and Southwest project funded by Restart NSW, $84.3 million (2018: $200.8 million) for Northern Beaches B-line project, $253.3 million (2018: $123.6 million) for Parramatta Light Rail project and other projects $71.0 million (2018:$11.3 million).

(f) Major rail project revenue

	Notes	2019 $'000	2018 $'000
Major rail project revenue	2(c)	1,528,396	1,205,981
Major rail project revenue		**1,528,396**	**1,205,981**

3. Revenue (cont'd)

(g) Resources received free of charge

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

	2019 $'000	2018 $'000
Personnel services - superannuation - defined benefit	4,000	3,528
Personnel services - long service leave	30,856	16,595
Personnel services - payroll tax	206	231
Resources received free of charge	**35,062**	**20,354**

(h) Other Revenue

	2019 $'000	2018 $'000
Recognition of assets	-	51,405
Other revenue	**-**	**51,405**

Transport for NSW recognised the air space stratum above Wynyard Walk on Clarence Street as a right of use intangible asset for the first time and subsequently divested the asset by entering into a contract with the private sector in October 2017. As the result, the private sector paid Transport for NSW a consideration of $49.7 million who acquired the use of the airspace for a period of 99 years. The fair value of the asset recognised by Transport for NSW was equivalent to the consideration received.

Recognition and measurement

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to Transport for NSW and the income can be reliably measured. Comments regarding the accounting policies for the recognition of income are discussed below.

(i) Parliamentary appropriations and contributions

Parliamentary appropriations and contributions from other bodies (including grants and contributions) are generally recognised as income when Transport for NSW obtains control over the assets comprising the appropriations/contributions. Control over appropriations/contributions is normally obtained upon the receipt of cash. At year end unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund. Any liability is disclosed in Note 19 as part of “Other liabilities”. The amount will be repaid and the liability will be extinguished in the next financial year. Please refer to Summary of compliance with financial directives.

(ii) Sale of goods

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.

3. Revenue (cont'd)

Recognition and measurement (cont'd)

(iii) Rendering of services

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.

(iv) Investment income

Interest income on cash and cash equivalents is recognised using the effective interest method. Rental income is recognised in accordance with AASB 117 *Leases* on a straight line basis over the lease term. Royalty income 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) Grants and contributions

Income from grants (other than contribution by owners) is recognised when Transport for NSW obtains control over the contribution. Transport for NSW is deemed to have assumed control when the grant is received or receivable. Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

(vii) Major rail project revenue

Major rail project revenue is recognised in the Statement of comprehensive income in proportion to the stage of completion of these RailCorp funded construction activities at the reporting date. The value of work performed is measured at the value of the progressive costs incurred during the reporting period for each project. Major rail project expense is recognised in the Statement of comprehensive income as incurred. Amounts due from RailCorp for these rail projects are disclosed as an asset, and the amounts due to RailCorp are disclosed as a liability.

4. Gain/(loss) on disposal

	Notes	2019 $'000	2018 $'000
Proceeds from asset sales		8,270	138,119
Net carrying amount of property, plant and equipment disposed	12	(9,977)	(169,596)
Net carrying amount of intangibles disposed	13	(353)	(73,573)
Gain/(loss) on disposal		**(2,060)**	**(105,050)**

Proceeds from asset sales and Net carrying amount of property, plant and equipment disposed have been restated to be $88.3 million and ($142.7 million) respectively, higher than in the prior year. Refer to Note 25.

5. Other gains/(losses)

	2019 $'000	2018 $'000
Revaluation increment/(decrement)	-	(54,952)
(Allowance)/reversal for impairment of receivables	701	(636)
Foreign exchange gains/(losses)	(82)	21
Derivative gains/(losses)	-	(1,505)
Realised gains/(losses) on TCorp borrowings	(30,786)	-
Other gains/(losses)	**(30,167)**	**(57,072)**

Recognition and measurement

Impairment losses

Impairment losses may arise on assets held by Transport for NSW from time to time.
Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment.
Accounting policies and events giving rise to impairment losses are disclosed in the following notes:

- Receivables – Note 8
- Other financial assets – Note 11
- Property, plant and equipment – Note 12
- Intangible assets – Note 13

6. Program groups of Transport for NSW

	Network Access		Network Performance		Network Capacity Enhancements		Urban Renewal		Not attributable		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expenses excluding losses												
Operating expenses												
Personnel service expenses	79,876	78,586	385,905	379,675	12,511	12,309	2,887	2,840	-	-	481,179	473,410
Other operating expenses	129,489	134,645	625,604	650,513	20,281	21,089	4,680	4,867	-	-	780,054	811,114
Major rail project expense	-	-	-	-	1,528,396	1,205,981	-	-	-	-	1,528,396	1,205,981
Depreciation and amortisation	158,225	151,305	347,400	339,710	99,684	3,194	-	-	-	-	605,309	494,209
Grants and subsidies	2,264,490	2,134,257	7,925,957	6,985,146	2,760,984	2,141	418	494	-	-	12,951,849	9,122,038
Finance costs	14,049	16,034	67,876	77,463	2,200	2,511	508	580	-	-	84,633	96,588
Other expenses	1,410	1,662	1,519,409	1,335,378	221	260	51	60	-	-	1,521,091	1,337,360
Total expenses excluding losses	**2,647,539**	**2,516,489**	**10,872,151**	**9,767,885**	**4,424,277**	**1,247,485**	**8,544**	**8,841**	**-**	**-**	**17,952,511**	**13,540,700**
Revenue												
Appropriation	-	-	-	-	-	-	-	-	12,167,574	12,262,646	12,167,574	12,262,646
Sale of goods and services	91,302	56,057	441,108	270,829	14,300	8,780	3,300	2,026	-	-	550,010	337,692
Investment revenue	4,000	3,191	19,323	15,418	626	500	145	115	-	-	24,094	19,224
Shared and corporate services revenue	25,276	38,249	122,116	184,795	3,959	5,991	914	1,383	-	-	152,265	230,418
Grants and contributions	23,799	23,412	2,190,252	2,823,280	1,930,962	96,133	860	160,846	-	-	4,145,873	3,103,671
Major rail project revenue	-	-	-	-	1,528,396	1,205,981	-	-	-	-	1,528,396	1,205,981
Resources received free of charge	5,820	3,379	28,120	16,324	912	529	210	122	-	-	35,062	20,354
Other revenue	-	8,533	-	41,227	-	1,337	-	308	-	-	-	51,405
Total revenue	**150,197**	**132,821**	**2,800,919**	**3,351,873**	**3,479,155**	**1,319,251**	**5,429**	**164,800**	**12,167,574**	**12,262,646**	**18,603,274**	**17,231,391**
Gain/(loss) on disposal	(171)	(25,417)	(1,583)	(25,244)	(306)	(54,389)	-	-	-	-	(2,060)	(105,050)
Other gains/(losses)	(30,684)	-	497	(57,072)	16	-	4	-	-	-	(30,167)	(57,072)
Net result	**(2,528,197)**	**(2,409,085)**	**(8,072,318)**	**(6,498,328)**	**(945,412)**	**17,377**	**(3,111)**	**155,959**	**12,167,574**	**12,262,646**	**618,536**	**3,528,569**
Other comprehensive income												
Net gains/(losses) in commodity swaps and foreign exchange	-	-	(290)	1,796	-	-	-	-	-	-	(290)	1,796
Net increase/(decrease) in asset revaluation surplus	-	-	796	-	-	-	-	-	-	-	796	-
Total other comprehensive income	**-**	**-**	**506**	**1,796**	**-**	**-**	**-**	**-**	**-**	**-**	**506**	**1,796**
Total comprehensive income	**(2,528,197)**	**(2,409,085)**	**(8,071,812)**	**(6,496,532)**	**(945,412)**	**17,377**	**(3,111)**	**155,959**	**12,167,574**	**12,262,646**	**619,042**	**3,530,365**

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

The following lines in 2018 have been restated:

- Grants and contributions in Network Capacity Enhancements - $92.5 million higher
- Depreciation and amortisation in Network Performance - $61.5 million lower
- Gain/(loss) on disposal in Network Capacity Enhancements - $54.4 million higher in loss

Refer to Note 25.

6. Program groups of Transport for NSW (cont'd)

	Network Access		Network Performance		Network Capacity Enhancements		Urban Renewal		Not attributable		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
ASSETS												
Current assets												
Cash and cash equivalents	139,716	125,626	675,008	606,941	21,883	19,676	5,050	4,541	-	-	841,657	756,784
Receivables	62,006	74,973	299,572	362,221	9,712	223,790	2,241	2,710	-	-	373,531	663,694
Financial assets at fair value	-	-	9	442	-	-	-	-	-	-	9	442
Non-current assets held for sale	15,472	-	-	-	-	-	-	-	-	-	15,472	-
Other financial assets	-	30,000	-	-	-	-	-	-	-	-	-	30,000
Total current assets	**217,194**	**230,599**	**974,589**	**969,604**	**31,595**	**243,466**	**7,291**	**7,251**	**-**	**-**	**1,230,669**	**1,450,920**
Non-current assets												
Financial assets at fair value	-	-	-	73	-	-	-	-	-	-	-	73
Other financial assets	1,205	1,006	-	-	-	-	-	-	-	-	1,205	1,006
Property, plant and equipment												
Land and buildings	25,442	33,155	533,838	197,831	16,071	34,547	-	-	-	-	575,351	265,533
Plant and equipment	429,535	474,991	1,181,836	1,006,423	290,942	-	-	-	-	-	1,902,313	1,481,414
Infrastructure systems	230,725	234,625	5,649,828	9,908,273	167,892	13,447	3,248	2,725	-	-	6,051,693	10,159,070
Property, plant and equipment	685,702	742,771	7,365,502	11,112,527	474,905	47,994	3,248	2,725	-	-	8,529,357	11,906,017
Intangible assets	366,943	388,943	146,178	21,298	203,674	531,122	-	-	-	-	716,795	941,363
Other assets	-	-	-	-	1,057,028	2,777,321	-	-	-	-	1,057,028	2,777,321
Total non-current assets	**1,053,850**	**1,132,720**	**7,511,680**	**11,133,898**	**1,735,607**	**3,356,437**	**3,248**	**2,725**	**-**	**-**	**10,304,385**	**15,625,780**
Total assets	**1,271,044**	**1,363,319**	**8,486,269**	**12,103,502**	**1,767,202**	**3,599,903**	**10,539**	**9,976**	**-**	**-**	**11,535,054**	**17,076,700**
LIABILITIES												
Current liabilities												
Payables	167,420	211,732	808,865	1,022,946	26,222	33,163	6,051	7,653	-	-	1,008,558	1,275,494
Borrowings	105,418	561,766	-	215	-	-	-	-	-	-	105,418	561,981
Provisions	-	-	14,038	16,295	-	-	-	-	-	-	14,038	16,295
Other liabilities	206,619	173,809	-	-	178,900	-	-	-	-	-	385,519	173,809
Total current liabilities	**479,457**	**947,307**	**822,903**	**1,039,456**	**205,122**	**33,163**	**6,051**	**7,653**	**-**	**-**	**1,513,533**	**2,027,579**
Non-current liabilities												
Borrowings	765,321	1,016,642	-	1,505	-	-	-	-	-	-	765,321	1,018,147
Provisions	-	-	9,000	16,538	-	-	-	-	-	-	9,000	16,538
Other liabilities	-	-	-	-	45	190,039	-	-	-	-	45	190,039
Total non-current liabilities	**765,321**	**1,016,642**	**9,000**	**18,043**	**45**	**190,039**	**-**	**-**	**-**	**-**	**774,366**	**1,224,724**
Total liabilities	**1,244,778**	**1,963,949**	**831,903**	**1,057,499**	**45**	**223,202**	**6,051**	**7,653**	**-**	**-**	**2,287,899**	**3,252,303**
Net assets	**26,266**	**(600,630)**	**7,654,366**	**11,046,003**	**1,562,035**	**3,376,701**	**4,488**	**2,323**	**-**	**-**	**9,247,155**	**13,824,397**

The following lines in 2018 have been restated:

- Receivables in all programs- $180.7 million higher
- Infrastructure systems in Network Performance - $ 2,084.3 million lower
- Infrastructure systems in Network Capacity Enhancements - $142.7 million lower

Refer to Note 25.

6. Program groups of Transport for NSW (cont'd)

	Network Access		Network Performance		Network Capacity Enhancements		Urban Renewal		Not attributable		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Administered expenses												
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	-	-	5,823	5,892	5,823	5,892
Total administered expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,823**	**5,892**	**5,823**	**5,892**
Administered income												
Transfer receipts - taxes, fees and fines	-	-	-	-	-	-	-	-	7,507	7,683	7,507	7,683
Total administered income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,507**	**7,683**	**7,507**	**7,683**
Administered income less expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,684**	**1,791**	**1,684**	**1,791**

Administered assets and liabilities are disclosed in Note 29

6. Program groups of Transport for NSW (cont'd)

Transport for NSW has four program groups namely:

Network access
Definition: This program group enables and enhances the equity and accessibility of the transport system for all customer groups. The scope of activities within this service group includes services and upgrades to support an equitable level of access for customers and activities to grant equitable and appropriate access to the transport network. This includes the provision of information channels, content and digital tools to enhance accessibility.

Network performance
Definition: This program group covers the day to day management of the performance of the transport and road network, as well as the operations and maintenance activity that enables the daily movement of people and goods. The scope of activities within this service group includes the operation and maintenance of assets/infrastructure supporting the movement of customers along mass transit systems as well as local, regional and metropolitan transportation systems. It also includes the operation and maintenance of assets/infrastructure supporting the movement of goods along freight distribution networks in NSW. This service group also includes activities to enhance the safety of the transport network, including promoting safe behaviours by customers and compliance with transport regulations, and activities to reduce the cost of transport services to taxpayers.

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

Urban renewal
Definition: This program group covers those initiatives which have a major focus on activating precincts and better utilising existing transport assets and land holdings. The scope of activities within this service group includes improving the amenity, usability and economic activity of transport interchanges and precincts and their surrounding areas. It also includes activities which promote commercial development in areas surrounding the transport network and generate ancillary revenue from assets or other commercial initiatives.

7. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	841,657	756,784
Cash and cash equivalents	**841,657**	**756,784**

Cash and cash equivalents comprise of cash at bank held predominantly through the Treasury Banking System (TBS). $280.9 million (2018: $269.3 million) of Opal fare box revenue to be paid to service operators and Opal cardholder balances comprise of accounts held through the TBS and outside of the TBS and in the case of term deposits of less than 90 days, TCorp. Cash and cash equivalents outside of the TBS are held with well rated major Australian banks.

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

	2019 $'000	2018 $'000
Cash and cash equivalents (per Statement of financial position)	841,657	756,784
Cash and cash equivalents (per Statement of cash flows)	**841,657**	**756,784**

7. Cash and cash equivalents (cont'd)

Refer Note 26 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 1991* $nil (2018: $22.8 million).

Restricted cash and cash equivalents

Cash and cash equivalent assets include restricted cash of $129.7 million (2018: $89.2 million), of which $115.6 million (2018: $68.3 million) has been quarantined specifically in relation to the Parking Space Levy (PSL), $14.1 million (2018: $14.9 million) for Community Transport Groups and $nil in relation to the Community Road Safety Fund (2018: $5.8 million).

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

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

The Community Road Safety Fund was established under the *Transport Administration Act 1988*. The fund requires that all fines and penalties recovered for camera recorded speeding offences and camera recorded mobile phone use offences is to be spent on road safety. At balance date the surplus funds to be quarantined is $nil (2018:$5.8 million).

8. Receivables

	2019 $'000	2018 $'000
Current receivables		
Sale of goods and services	208,669	113,685
Goods and Services Tax recoverable	125,000	126,427
Prepayments	29,458	108,722
Income receivable	6,741	17,442
Other receivables	2,656	292,229
Investment income receivable	1,007	5,891
	373,531	**664,396**
Less: Allowance for impairment	-	(702)
Current receivables	**373,531**	**663,694**
Movement in allowance for expected credit loss		
Balance at 1 July	**(702)**	
Unused provision reversed	**702**	
Balance at 30 June	**-**	
Movement in allowance for impairment		
Balance at 1 July		(66)
Increase in allowance recognised in net result		(636)
Balance at 30 June		**(702)**

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

Other receivables has been restated to be $180.7 million higher than in the prior year. Refer to Note 25.

There are no material lifetime credit losses arising in relation to recevables on transition to AASB 9.

8. Receivables (cont'd)

Recognition and measurement

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement under AASB 9 (1 July 2018)

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

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment under AASB 9 (1 July 2018)

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

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

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The entity first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

9. Financial assets at fair value

	2019 $'000	2018 $'000
Financial assets held for trading		
Foreign exchange derivatives - cash flow hedges	9	442
Current financial assets at fair value	**9**	**442**
Foreign exchange derivatives - cash flow hedges	-	73
Non-current financial assets at fair value	**-**	**73**

9. Financial assets at fair value (cont'd)

Recognition and measurement

Transport for NSW holds derivative financial instruments to hedge its foreign currency risk exposure arising from overseas purchase commitments and manage its exposure to wholesale energy prices arising from commitments to purchase renewable energy. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

(i) Foreign exchange derivatives – cash flow hedges

At the inception of the hedge relationship, Transport for NSW documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Transport for NSW documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Transport for NSW actually hedges and the quantity of the hedging instrument that Transport for NSW actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, Transport for NSW adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Transport for NSW has designated its forward currency contracts as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and included within the cash flow hedge reserve in equity, while any ineffective portion is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is transferred from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if the hedged item is the cost of a non-financial asset or liability, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

Transport for NSW discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss

9. Financial assets at fair value (cont'd)

Recognition and measurement (cont'd)

(ii) Energy derivative – cash flow hedge

Transport for NSW has entered into an energy derivative for economic hedging purposes under the approved risk management policies, which is not designated in a hedge relationship.

On 1 July 2018, the energy derivative of $1.5 million has been transferred to Sydney Metro as part of the administrative restructure upon its establishment (Note 27).

(iii) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that 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.

10. Non - current assets held for sale

	2019 $'000	2018 $'000
Non-Current assets held for sale		
Land and buildings held for sale	15,472	-
Non-current assets held for sale	**15,472**	**-**

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

Recognition and measurement

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

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

11. Other financial assets

	2019 $'000	2018 $'000
Term deposits	-	30,000
Current other financial assets	**-**	**30,000**
Interest free advances to taxi operators[1]	1,205	1,006
Non-current other financial assets	**1,205**	**1,006**

[1] 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 26 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments and Note 9 for information on the impairment of financial assets.

Recognition and measurement

Other financial assets 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.

Subsequent measurement under AASB 9 (1 July 2018)

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses) together with foreign exchange gains and losses.

Classification and measurement under AASB 139 (for comparative period ended 30 June 2018)

(i) Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or though the amortisation process.

(ii) Held-to-maturity investments

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

11. Other financial assets (cont'd)

Classification and measurement under AASB 139 (for comparative period ended 30 June 2018) (cont'd)

Impairment under AASB 9 (1 July 2018)

Transport for NSW recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.
ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, Transport for NSW considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Transport for NSW's term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence Transport for NSW measures the loss allowance for term deposits at an amount equal to 12-month ECL. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.
Transport for NSW uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Other financial assets are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows have been affected.
Transport for NSW first assesses whether impairment exists individually for other financial assets that are individually significant, or collectively for those that are not individually significant. Further, other financial assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.
The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in 'other gains / (losses)'.
Any reversals of impairment losses are reversed through the net result for the year, where the decrease in impairment losses can be related objectively to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

12. Property, plant and equipment

Property plant and equipment Reconciliation

	Land and Buildings			Infrastructure systems				Plant and equipment							
	Land and buildings $ '000	Assets under construction $ '000	Total $ '000	Rail systems $ '000	Maritime systems $ '000	Assets under construction $ '000	Total $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Buses $ '000	Ferries $ '000	Assets under construction $ '000	Total $ '000	Total Property, plant and equipment $ '000
At 30 June 2019															
At cost - Gross carrying amount		58,060	58,060	-	-	1,369,441	1,369,441	-	-	-	-	-	5,920	5,920	1,433,421
At fair value - Gross carrying amount	806,818	-	806,818	15,679,278	526	-	15,679,804	1,124,574	1,357,309	80,367	1,161,945	9,967	-	3,734,162	20,220,784
Accumulated depreciation and impairment	(289,527)	-	(289,527)	(10,997,419)	(133)	-	(10,997,552)	(329,558)	(656,464)	(9,583)	(833,041)	(9,123)	-	(1,837,769)	(13,124,848)
Net carrying amount	**517,291**	**58,060**	**575,351**	**4,681,859**	**393**	**1,369,441**	**6,051,693**	**795,016**	**700,845**	**70,784**	**328,904**	**844**	**5,920**	**1,902,313**	**8,529,357**
At 30 June 2018															
At cost - Gross carrying amount	-	56,597	56,597	-	-	5,730,322	5,730,322	-	-	-	-	-	54,175	54,175	5,841,094
At fair value - Gross carrying amount	360,166	-	360,166	15,411,117	526	(159,540)	15,252,103	638,782	1,843,152	40,200	102,850	9,968	(10,882)	2,624,070	18,236,339
Accumulated depreciation and impairment	(151,230)	-	(151,230)	(10,823,229)	(126)	-	(10,823,355)	(171,026)	(951,193)	(10,740)	(55,024)	(8,848)	-	(1,196,831)	(12,171,416)
Net carrying amount	**208,936**	**56,597**	**265,533**	**4,587,888**	**400**	**5,570,782**	**10,159,070**	**467,756**	**891,959**	**29,460**	**47,826**	**1,120**	**43,293**	**1,481,414**	**11,906,017**

Infrastructure systems ‘At fair value – Gross carrying amount’ and ‘Accumulated depreciation’ have been restated to be $12,209.8 million and $9,982.8 million, respectively, lower than in the prior year. Refer to Note 25.

12. 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:

Reconciliation		Land and buildings			Infrastructure systems				Plant and equipment							
	Notes	Land and buildings $ '000	Assets under construction $ '000	Total $ '000	Rail systems $ '000	Maritime systems $ '000	Assets under construction $ '000	Total $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Buses $ '000	Ferries $ '000	Assets under construction $ '000	Total $ '000	Total property, plant and equipment $ '000
Opening balance		**208,935**	**56,597**	**265,532**	**4,587,888**	**400**	**5,570,782**	**10,159,070**	**467,756**	**891,959**	**29,460**	**47,825**	**1,120**	**43,293**	**1,481,413**	**11,906,015**
Additions		7,982	15,260	23,242	99,129	-	613,886	713,015	66,056	158,780	11,443	36,348	-	50,010	322,637	1,058,894
Disposals	4	(7,146)	-	(7,146)	(2,524)	-	-	(2,524)	(188)	-	-	(119)	-	-	(307)	(9,977)
Reclassification between PPE classes		37,085	(4,525)	32,560	237,468	-	(394,625)	(157,157)	105,366	(259,212)	25,924	260,665	-	(8,146)	124,597	-
Asset transfer (to)/from equity	23	(1,208)	6,200	4,992	-	-	-	-	-	-	-	-	-	-	-	4,992
Reclassifications (to)/from intangible assets	13	(345)	-	(345)	-	-	(1,336)	(1,336)	319,012	-	-	-	-	(79,237)	239,775	238,094
Assets transferred to/from non-current assets held for sale		-	(15,472)	(15,472)	-	-	-	-	-	-	-	-	-	-	-	(15,472)
Transfer of asset under construction to local councils		-	-	-	-	-	-	-	(9,171)	-	-	-	-	-	(9,171)	(9,171)
Depreciation	2(d)	(19,508)	-	(19,508)	(186,430)	(7)	-	(186,437)	(150,338)	(90,682)	(2,032)	(42,082)	(276)	-	(285,410)	(491,355)
Net revaluation increments less revaluation decrements		40	-	40	(5,233)	-	-	(5,233)	-	-	5,989	-	-	-	5,989	796
Net increase in assets from administrative restructure		298,456	-	298,456	-	-	142,661	142,661	1,084	-	-	26,267	-	-	27,351	468,468
Net decrease in assets from administrative restructure	27	(7,000)	-	(7,000)	(4,515)	-	(4,486,778)	(4,491,293)	-	-	-	-	-	-	-	(4,498,293)
Transfers to other Transport agencies		-	-	-	(43,924)	-	(75,149)	(119,073)	(4,561)	-	-	-	-	-	(4,561)	(123,634)
Net carrying amount at 30 June		**517,291**	**58,060**	**575,351**	**4,681,859**	**393**	**1,369,441**	**6,051,693**	**795,016**	**700,845**	**70,784**	**328,904**	**844**	**5,920**	**1,902,313**	**8,529,357**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 15.

12. 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:

Reconciliation		Land and buildings			Infrastructure systems				Plant and equipment							
	Notes	Land and buildings $ '000	Assets under construction $ '000	Total $ '000	Rail systems $ '000	Maritime systems $ '000	Assets under construction $ '000	Total $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Buses $ '000	Ferries $ '000	Assets under construction $ '000	Total $ '000	Total property, plant and equipment $ '000
Opening balance		**262,955**	**52,762**	**315,717**	**6,837,268**	**-**	**3,497,785**	**10,335,053**	**450,417**	**882,465**	**30,884**	**-**	**-**	**44,429**	**1,408,195**	**12,058,965**
Restatement of infrastructure assets	25	-	-	-	(2,145,823)	-	-	(2,145,823)	-	-	-	-	-	-	-	(2,145,823)
Restated net carrying amount at start of year		**262,955**	**52,762**	**315,717**	**4,691,445**	**-**	**3,497,785**	**8,189,230**	**450,417**	**882,465**	**30,884**	**-**	**-**	**44,429**	**1,408,195**	**9,913,142**
Additions		1,377	3,880	5,257	-	-	2,415,304	2,415,304	-	152,231	-	-	-	46,426	198,657	2,619,218
Net variation		-	-	-	(1)	-	-	(1)	-	-	-	-	-	-	-	(1)
First time recognition of acquisition	3(h)	1,705	-	1,705	-	-	-	-	-	-	-	-	-	-	-	1,705
Disposals	4	(11,995)	-	(11,995)	(4,193)	-	(149,301)	(153,494)	(46)	(4,061)	-	-	-	-	(4,107)	(169,596)
Reclassification between PPE classes		5,725	(45)	5,680	112,817	-	(118,685)	(5,868)	2,479	(21,904)	-	49,306	-	(29,693)	188	-
Asset transfer (to)/from equity	23	12,828	-	12,828	-	407	-	407	357	-	-	4,053	1,396	-	5,806	19,041
Reclassifications (to)/from intangible assets	13	-	-	-	-	-	(5,050)	(5,050)	75,555	-	-	-	-	(17,869)	57,686	52,636
Reclassifications (to)/from other assets		-	-	-	-	-	10,526	10,526	-	-	-	-	-	-	-	10,526
Transfer of asset under construction to local councils		-	-	-	-	-	(2,230)	(2,230)	-	-	-	-	-	-	-	(2,230)
Revaluation increment/decrement through P/L	5	(54,952)	-	(54,952)	-	-	-	-	-	-	-	-	-	-	-	(54,952)
Depreciation	2(d)	(8,707)	-	(8,707)	(212,180)	(7)	-	(212,187)	(61,006)	(116,772)	(1,424)	(5,533)	(276)	-	(185,011)	(405,905)
Transfer (to)/from other transport entities		-	-	-	-	-	(77,567)	(77,567)	-	-	-	-	-	-	-	(77,567)
Net carrying amount at 30 June 2018		**208,936**	**56,597**	**265,533**	**4,587,888**	**400**	**5,570,782**	**10,159,070**	**467,756**	**891,959**	**29,460**	**47,826**	**1,120**	**43,293**	**1,481,414**	**11,906,017**

Infrastructure systems has been restated to be $2,226.9 million lower than in the prior year. The following lines have been restated:

- Disposals - $142.7 million higher
- Depreciation - $61.5 million lower
- Restatement of opening balance - $2,145.8 million decrease

Refer to Note 25.

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

Recognition and measurement

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

(i) Capitalisation and initial recognition

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

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

(ii) Capitalisation thresholds

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

(iii) Valuation of property, plant and equipment

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

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

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

Recognition and measurement (cont'd)

(iii) 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 12 and Note 15 for further information regarding fair value.

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

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

Transport for NSW revalues land and buildings at least once every three years and each other class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Transport for NSW revalues infrastructure systems asset class on a rolling basis. Revaluations are performed by independent professionally qualified valuers.

The last comprehensive revaluation of property, plant and equipment was summarised as follows:

Asset Type	Last comprehensive revaluation date
Land and buildings	31 March 2018
Light rail rolling stock and infrastructure	31 March 2019
Country regional network infrastructure	31 March 2017
Finance leased buses	31 March 2017

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

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ materially from carrying value. Generally, an interim management revaluation is performed if the cumulative changes in indicators/indices are less than 20%. An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 20%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20%.

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

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

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

Recognition and measurement (cont'd)

(iv) Revaluation of property, plant and equipment (cont'd)

Revaluation increments are credited directly to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as a gain in the net result. Revaluation decrements are recognised immediately as a loss in the net result, except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of assets, they are debited directly to the asset revaluation surplus.

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

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

(iv) 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 or an amount that approximates fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for Transport for NSW given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and current replacement cost, where current replacement cost is also fair value. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

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

(v) Depreciation of property, plant and equipment

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 except for leased buses, which are depreciated on a diminishing value basis.

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

Asset Class	Useful Lives
Buildings	25 - 80 years
Infrastructure systems	20 - 197 years
Plant and equipment	3 - 25 years
Finance leased buses	15 - 25 years
Rolling stock	25 years
Buses	20 – 25 years
Ferries	35 - 40 years

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

Recognition and measurement (cont'd)

(vi) Depreciation of property, plant and equipment (cont'd)

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

(vii) Major inspection costs

When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied.

(viii) Restoration costs

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

(ix) Maintenance

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

(x) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

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

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

Transport for NSW's accounting policy measures leased buses at fair value rather than historical cost. This is in accordance with AASB 136 (para. Aus 32.1-32.2) in respect of not-for-profit entities where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits. Therefore the asset's recoverable amount is determined based on the current replacement cost of the asset being the best representation of its fair value.

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

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

Recognition and measurement (cont'd)

(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.

13. Intangible assets

	Computer systems $'000	Work in progress $'000	Total $'000	Right of use $'000	Total Intangibles $'000
Cost (gross carrying amount)	609,381	307,569	916,950	48,655	965,605
Accumulated amortisation and impairment	(241,305)	-	(241,305)	(7,505)	(248,810)
Net carrying amount at 30 June 2019	**368,076**	**307,569**	**675,645**	**41,150**	**716,795**
Cost (gross carrying amount)	441,376	586,700	1,028,076	48,655	1,076,731
Accumulated amortisation and impairment	(130,661)	-	(130,661)	(4,707)	(135,368)
Net carrying amount at 30 June 2018	**310,715**	**586,700**	**897,415**	**43,948**	**941,363**

	Notes	Computer systems $'000	Work In Progress $'000	Total $'000	Right of use $'000	Total intangibles $'000
				-		-
Net carrying amount at start of year		310,715	586,700	897,415	43,948	941,363
Additions		22,317	105,516	127,833	-	127,833
Disposals	4	(353)	-	(353)	-	(353)
Reclassifications (to)/from PPE	12	146,553	(384,647)	(238,094)	-	(238,094)
Amortisation	2(d)	(111,156)	-	(111,156)	(2,798)	(113,954)
Net carrying amount at 30 June 2019		**368,076**	**307,569**	**675,645**	**41,150**	**716,795**
				-		-
Net carrying amount at start of year		314,953	528,332	843,285	15,518	858,803
Assets recognised for the first time	3(h)	-	-	-	49,700	49,700
Additions		-	216,220	216,220	-	216,220
Disposals	4	(23,710)	(163)	(23,873)	(49,700)	(73,573)
Relcassification between intangible assets		81,426	(81,426)	-	-	-
Reclassifications (to)/from PPE	12	23,627	(76,263)	(52,636)	-	(52,636)
Reclassifications (to)/from other assets		-	-	-	31,153	31,153
Amortisation	2(d)	(85,581)	-	(85,581)	(2,723)	(88,304)
Net carrying amount at 30 June 2018		**310,715**	**586,700**	**897,415**	**43,948**	**941,363**

13. Intangible assets (cont'd)

Recognition and measurement

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

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 and impairment losses.

Transport for NSW's intangible assets of:

- Information technology systems which are amortised using the straight line methods ranging from 5 to 18 years.
- Right of use assets include right of use of land and airspace acquired from third party land owners. The right of use of land acquired for the construction of the Sydney Light Rail was amortised using straight line method for the remaining period of the construction and operation phases of the project (16 to 19 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.

14. Other assets

	2019 $'000	2018 $'000
Non-current other assets		
Prepaid asset - light rail	1,057,028	639,860
Prepaid asset - Sydney Metro Northwest	-	2,137,461
Other assets	**1,057,028**	**2,777,321**

Transport for NSW has entered into a PPP with ALTRAC Light Rail Consortium for the construction of the Sydney Light Rail and with Northwest Rapid Transit for the construction of the Sydney Metro Northwest. The costs incurred prior to completion of the construction phase are recognised as a prepaid asset in accordance with NSW Treasury Policy TPP 06-8.

On 1 July 2018 the prepaid asset for Sydney Metro Northwest was transferred to Sydney Metro through administrative restructure which is disclosed in Note 27.

15. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

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

A number of Transport for NSW's accounting policies and disclosures requires the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, Transport for NSW categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:
Level 1 – quoted prices in active markets for identical assets / liabilities that Transport for NSW can access at the measurement date.
Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
Level 3 – inputs that are not based on observable market data (unobservable inputs).

Transport for NSW recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(a) Fair value hierarchy

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

2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment				
Land and buildings	-	-	507,397	507,397
Land and buildings	**-**	**-**	**507,397**	**507,397**
Plant and equipment	-	-	-	-
Finance leased buses	-	-	700,845	700,845
Rolling stock	-	-	70,784	70,784
Buses	-	-	328,904	328,904
Ferries	-	-	844	844
Plant and equipment	**-**	**-**	**1,101,377**	**1,101,377**
Rail systems	-	-	4,681,859	4,681,859
Maritime systems	-	-	393	393
Infrastructure systems	**-**	**-**	**4,682,252**	**4,682,252**
Non-current assets held for sale	**-**	**15,472**	**-**	**15,472**
	-	**15,472**	**6,291,026**	**6,306,498**

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

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

(a) Fair value hierarchy (cont'd)

Fair value measurements recognised in the balance sheet were categorised into the following levels at 30 June 2018.

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment				
Land and buildings	-	-	207,199	207,199
Land and buildings	**-**	**-**	**207,199**	**207,199**
Plant and equipment	-	-	116	116
Finance leased buses	-	-	891,958	891,958
Rolling stock	-	-	29,460	29,460
Buses	-	-	47,826	47,826
Ferries	-	-	1,120	1,120
Plant and equipment	**-**	**-**	**970,480**	**970,480**
Rail systems*	-	-	4,587,889	4,587,889
Maritime systems	-	-	400	400
Infrastructure systems	**-**	**-**	**4,588,289**	**4,588,289**
	-	**-**	**5,765,968**	**5,765,968**

*Rail systems has been restated to be $2,084.3 million lower than in the prior year. Refer to Note 25.

(b) Valuation process

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

Transport for NSW engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of Country Regional Network land and buildings were conducted by Preston Rowe Paterson NSW Pty Ltd for 31 March 2018. A comprehensive valuation of the country regional network infrastructure assets was conducted by E3 Advisory for 31 March 2017 and further work has been performed to ensure a complete database of earthworks with the March 2017 valuation now updated. Refer to note 25. A comprehensive valuation of the finance leased buses was conducted by RHAS for 31 March 2017. A comprehensive valuation of the Inner West Light Rail assets was conducted by AON for 31 March 2019. 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.

(c) Valuation techniques and input

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

- current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences;
- current replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits;
- construction costs incurred by the entity;

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

(c) Valuation techniques and input (cont'd)

- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions;
- discounted cash flow projections based on estimates of future cash flows.

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

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

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

- **Land and buildings** – acquisition cost, sale prices for comparable properties, land size are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each property, adjusted for the specific attributes of the property being revalued, such as location, land use and landing values applying in the locality. Construction costs incurred and expected useful life of the assets are determined and reviewed by management in accordance with applicable Australian Accounting Standards.
- **Plant and equipment** – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.
- **Country rail infrastructure assets** – replacement cost for modern equivalent assets, unit of measure for each asset, physical characteristics of assets including height and steepness, 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.

  Variations in assumptions used in the determination of fair value have a potentially material impact on the level 3 fair value measurement. The following table summarises the quantitative impact on the fair value of earthworks, where there is a 1% change in the unit cost. The unit rate is subject to factors such as height and condition of underlying material. It is not practicable to quantify the impact of all assumptions used in the valuation.

	+1%	**-1%**
	Increase in fair value $'000	**Decrease in fair value $'000**
Infrastructure assets - Earthworks	20,830	(20,830)

- **Light rail infrastructure and rolling stock** – replacement costs for the Pyrmont Light Rail network assets, construction costs for the Inner West Light Rail extension network assets, length of the tracks, overhead power and stabling yards, number of stops/stations, economic working lives of the assets, expired and remaining economic life, depreciation methods, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Non-current Asset held for sale** – rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.

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

(c) Valuation techniques and input (cont'd)

- **Leasehold improvement make good** – restoration costs on the leased property estimated on the rate per square metre basis were discounted, adjusted for inflation and depreciated over the remaining lease period.
- **Finance leased buses** – Optimised Replacement Cost (ORC) is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of input and in operating costs. The ORC estimates are based on the most recent cost prices for the buses and current Transport for NSW Bus Procurement Panel pricing for Rural and Regional Urban and School bus types, as quoted by numerous chassis and bus providers.
- **Buses -** Optimised Replacement Cost (ORC) is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of input and in operating costs.
- **Ferries –** Discounted replacement cost was estimated based on pricing provided by a leading Australian boat builder, and assuming a steel hull, aluminium superstructure.

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

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

(e) Reconciliation of level 3 fair value measurement

	Land and buildings $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Buses $ '000	Ferries $ '000	Infrastructure systems $ '000	TOTAL $ '000
Fair value at start of year	207,198	116	891,958	29,460	47,826	1,120	4,588,289	5,765,967
Additions	7,981	-	158,780	11,443	36,348	-	99,127	313,679
Revaluation increments/decrements recognised in other comprehensive income	40	-	-	5,989	-	-	(5,233)	796
Disposals	-	(116)	-	-	(120)	-	(2,523)	(2,759)
Depreciation	(16,866)	-	(90,682)	(2,032)	(42,082)	(276)	(186,437)	(338,375)
Equity transfer	290,248	-	-	-	26,267	-	(48,439)	268,076
Transfer from other classes of property, plant and equipment	18,337	-	(259,211)	25,924	260,665	-	1,073	46,788
Transfer from assets under construction	459	-	-	-	-	-	236,395	236,854
Fair value as at 30 June 2019	**507,397**	**-**	**700,845**	**70,784**	**328,904**	**844**	**4,682,252**	**6,291,026**

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

(e) Reconciliation of level 3 fair value measurement (cont'd)

	Land and buildings $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Buses $ '000	Ferries $ '000	Infrastructure systems $ '000	TOTAL $ '000
Fair value at start of year	258,535	147	882,465	30,884	-	-	6,837,268	8,009,299
Restated Fair value at start of year	258,535	147	882,465	30,884	-	-	4,691,445	5,863,476
Additions	1,377	-	152,230	-	-	-	-	153,607
Revaluation increments/decrements recognised in net result	(54,952)	-	-	-	-	-	-	(54,952)
Assets recognised for the first time	1,705	-	-	-	-	-	-	1,705
Disposals	(11,951)	-	(4,061)	-	-	-	(4,193)	(20,205)
Depreciation	(6,074)	(31)	(116,772)	(1,424)	(5,532)	(276)	(212,187)	(342,296)
Decrease of net assets from equity transfer	12,834	-	-	-	4,052	1,396	407	18,689
Transfer from other classes of property, plant and equipment	5,725	-	(21,904)	-	21,904	-	-	5,725
Transfer from assets under construction	-	-	-	-	27,402	-	112,817	140,219
Fair value as at 30 June 2018	**207,199**	**116**	**891,958**	**29,460**	**47,826**	**1,120**	**4,588,289**	**5,765,968**

16. Payables

	$'000	$'000
Trade creditors	93,048	101,459
Accrued expenses	816,637	1,095,000
Other creditors	1,064	1,139
Personnel service payables	97,809	77,896
Current payables	**1,008,558**	**1,275,494**

Recognition and measurement

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. 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.
Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

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

17. Borrowings

	2019 $'000	2018 $'000
TCorp borrowings[1]	-	65,186
Finance leases	105,418	496,580
Financial liabilities at fair value	-	215
Current borrowings	**105,418**	**561,981**
TCorp borrowings[1]	-	299,955
Finance leases	765,321	716,687
Financial liabilities at fair value	-	1,505
Non-current borrowings	**765,321**	**1,018,147**

Repayment of borrowings

	2019 $'000	2018 $'000
Not later than one year	105,418	561,766
Later than one year and not later than five years	413,961	652,570
Later than five years	351,360	364,072
Repayment of borrowings	**870,739**	**1,578,408**

[1]The Treasurer approved the transfer of TCorp borrowings ($571.0 million) from Transport for NSW to the Crown Finance Entity on 26 June 2019. Refer to Note 23.

Recognition and measurement

Borrowings are not held for trading or designated at fair value through profit or loss. Borrowings are initially measured at the fair value of the consideration received and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on de-recognition.

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

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

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

Financial guarantees

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

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially recognised at fair value plus, in the case of financial guarantees not at fair value through profit or loss, directly attributable transaction costs, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB137 and the amount initially recognised, less accumulated amortisation, where appropriate.

Transport for NSW has reviewed its financial guarantee and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2019 and as at 30 June 2018. However, refer to Note 24 regarding disclosures on contingent liabilities.

17. Borrowings (cont'd)

Changes in liabilities arising from financing activities

2019 **Consolidated**	**Balance at 1July** **$'000**	**Cash flows** **$'000**	**Non-cash changes** **$'000**	**Balance at 30 June** **$'000**
Tcorp borrowings	365,141	-	(365,141)	-
Finance leases	1,213,267	(102,190)	(240,338)	870,739
Total liabilities from financing activities	**1,578,408**	**(102,190)**	**(609,148)**	**870,739**
2018 **Consolidated**				
Tcorp borrowings	367,577	(2,436)	-	365,141
Finance leases	1,220,341	(129,634)	122,560	1,213,267
Total liabilities from financing activities	**1,587,918**	**(132,070)**	**122,560**	**1,578,408**

18. Provisions

	2019 **$'000**	**2018** **$'000**
Land and buildings remediation	8,190	12,090
Lease make good costs	5,848	4,205
Current provisions	**14,038**	**16,295**
Land and buildings remediation	-	6,945
Lease make good costs	9,000	9,593
Non-current provisions	**9,000**	**16,538**

Recognition and measurement

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

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

If the effect of the time value of money is material, provisions are discounted at a 1.4% (2018: 1.9%) that reflects the current market assessments of the time value of money and risk specific to the liability.

The land and buildings remediation provision is recognised when TfNSW has a legal or constructive obligation to remediate contaminated property. The make good provision is recognised when TfNSW has an obligation to restore property to its original condition, for example at the end of a lease. The value recognised for each provision represents the most reliable basis for estimating the outflow of resources required to settle the obligations.

18. Provisions (cont'd)

Movement in provisions

	Land and buildings remediation	Lease make good costs	Total
	$'000	$'000	$'000
Carrying amount at the beginning of the financial year	19,035	13,798	32,833
Additional provision recognised	-	2,961	2,961
Unused amounts reversed	(11,868)	(1,911)	(13,779)
Administrative restructure transfer in	1,023	-	1,023
Carrying amount at the end of the financial year	**8,190**	**14,848**	**23,038**

19. Other liabilities

	2019	2018
	$'000	$'000
Opal card holding accounts	204,732	173,809
Income received in advance	1,887	-
Contribution from Sydney City Council for light rail (current)	178,900	-
Current other liabilities	**385,519**	**173,809**
Security deposit	45	45
Epping to Chatswood Rail Link improvements liability	-	74,694
Contribution from City of Sydney Council for light rail	-	115,300
Non-current other liabilities	**45**	**190,039**

On 1 July 2018 the Epping to Chatswood Rail Link improvement liability was transferred to Sydney Metro through administrative restructure which is disclosed in Note 27.

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

	2019	2018
	$'000	$'000
Net cash inflows/(outflows) from operating activities	1,844,966	3,854,686
Depreciation and amortisation	(605,309)	(494,209)
Non-cash revenue and expenses	(132,805)	(28,392)
Revaluation increment/(decrement) of assets	-	(54,952)
(Decrease)/increase in receivables, inventories and other assets	(290,164)	85,136
(Increase)/decrease in payables and provisions	(196,092)	271,350
Net gain/(loss) on sale of property, plant and equipment	(2,060)	(105,050)
Reconciliation to net result	**618,536**	**3,528,569**

21. Non-cash financing and investing activities

	Notes	2019 $'000	2018 $'000
Financial lease liabilities in respect of the acquisition of plant and equipment		(158,780)	(152,230)
Non-cash financing activities		**(158,780)**	**(152,230)**
Plant and equipment acquired by finance lease	12	158,780	152,230
Assets recognised for the first time		-	51,405
Recognition of ECRL improvements liability		-	13,657
Transfer from administrative restructure - others	27	(5,772,288)	-
Equity transfers	23	576,004	48,712
Resources received free of charge		35,062	20,354
Non-cash investing activities		**(5,002,442)**	**286,358**
Non-cash financing and investing activities		**(5,161,222)**	**134,128**

22. Commitments for expenditure

	Notes	2019 $'000	2018 $'000
(a) Capital commitments			
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:			
Not later than one year		912,789	1,812,512
Later than one year and not later than five years		966,751	2,846,254
Total (including GST)		**1,879,540**	**4,658,766**
(b) Operating lease commitments			
Future non-cancellable operating lease rentals not provided for and payable:			
Not later than one year		88,902	69,356
Later than one year and not later than five years		207,477	193,648
Later than five years		10,963	34,398
Total (including GST)		**307,342**	**297,402**
Future non-cancellable operating lease rentals receivable			
Not later than one year		927	1,014
Later than one year and not later than five years		1,999	2,788
Later than five years		1,582	2,360
Total (including GST)		**4,508**	**6,162**
(c) Finance lease commitments			
Minimum lease payment commitments in relation to finance leases payable as follows:			
Not later than one year		179,145	668,756
Later than one year and not later than five years		623,324	606,548
Later than five years		405,612	388,258
Minimum lease payment		**1,208,081**	**1,663,562**
Less: future finance charges		(337,342)	(450,295)
Present value of minimum lease payments		**870,739**	**1,213,267**
The present value of finance lease commitments is as follows:			
Finance leased buses			
Not later than one year		105,418	496,580
Later than one year and not later than five years		413,961	390,193
Later than five years		351,360	326,494
Present value of finance lease commitments		**870,739**	**1,213,267**
Finance lease commitments classified as:			
Current borrowings	17	105,418	496,580
Non-current borrowings	17	765,321	716,687
		870,739	**1,213,267**

Operating leases for TfNSW are related to leases of properties, motor vehicles and rural and regional buses from independent bus operators. Finance leases are related to leases of ferries and buses from private bus operators.

Net GST on all commitments is estimated at $198.4 million (2018: $451.2 million) will be recouped from the Australian Taxation Office.

23. Equity and reserves

(a) Asset revaluation reserve

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with Transport for NSW's policy on the revaluation of property, plant and equipment as discussed in Note12(iii).

(b) Hedge reserve

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

(c) Accumulated funds

Accumulated funds includes all current and prior period retained funds.

(d) Equity transfers

	2019 $'000	2018 $'000
Assets under construction transferred to RailCorp[1]	(1,208)	-
Land transferred (to)/from Department of Planning and Environment[2]	-	(237,275)
Land transferred to the Department of Industry[3]	-	(1,565)
Borrowings transferred to the Crown Finance Entity[6]	571,012	-
Net equity transfer for property, plant and equipment[4]	-	50,277
Assets under construction transferred from RailCorp[5]	6,200	237,275
Equity transfers	**576,004**	**48,712**

[1]The Secretary directed Transport for NSW to transfer to Rail Corporation New South Wales, in accordance with TPP 09-3 *'Contributions by owners made to wholly-owned Public Sector Entities'*, certain assets, rights and liabilities relating to the Millthorpe Railway Station together with land and improvements at Millthorpe ($1.2 million). This has been accounted for as an adjustment to equity effective 18 February 2019.

[2] The Minister for Transport and Infrastructure vested surplus lands related to the South West Rail Link project ($237.3 million) from Transport for NSW to the Department of Planning & Environment and it has been accounted for as an adjustment to equity effective 9 January 2018.

[3]The Minister for Transport and Infrastructure vested surplus lands related to the rail corridor between Rosewood and Tumbarumba ($1.6 million) from Transport for NSW to the NSW Department of Industry and it has been accounted for as an adjustment to equity effective 12 April 2018.

[4]In relation to the privatisation of Newcastle transport services, the Secretary directed State Transit Authority to transfer assets to Transport for NSW under *the Transport Administration Act 1988* and it has been accounted for as an adjustment to equity effective 1 July 2017, in accordance with TPP 09-3 *'Contributions by owners made to wholly-owned Public Sector Entities'*. The assets transferred included buses, ferries, land, buildings, plant and equipment and maritime infrastructure.

[5]The Secretary directed RailCorp to transfer to Transport for NSW, in accordance with TPP 09-3 *'Contributions by owners made to wholly-owned Public Sector Entities'* :

- former heavy rail corridor land at Newcastle, in connection with the Newcastle Light Rail project ($6.2 million), which has been accounted for as an adjustment to equity effective 7 November 2018.
- some assets under construction ($237.3 million) which has been accounted for as an adjustment to equity effective 31 October 2017.

[6]The Treasurer approved the transfer of TCorp borrowings ($571.0 million) from Transport for NSW to the Crown Finance Entity on 26 June 2019.

23. Equity and reserves (cont'd)

Recognition and measurement

Equity transfers represent the transfer of net assets / liabilities between agencies as a result of an administrative restructure transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated funds". This treatment is consistent with NSW Treasury Policy and Guidelines Paper Accounting Policy: *Contribution by owners made to wholly-owned public sector entities* (TPP 09-03), AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners made to Wholly-owned Public Sector Entities*.

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

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

24. Contingent liabilities and contingent assets

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

Apart from the above matter, there are a number of other disputes related to property acquisitions and contractual claims subject to litigation. The amount of the liability, if any, that may arise in relation to the majority of these disputes cannot be measured reliably at this time apart from $0.5 million (2018: $0.2 million) which has been quantified by management.

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability for a period of at least twelve months from the date when the 2018-19 audit report for OTSI is signed. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to Government.

Apart from the matters mentioned above, Transport for NSW does not have any other contingent liabilities or contingent assets that would significantly impact on the state of affairs of Transport for NSW or have a material effect on these financial statements.

25. Correction of prior year balances

Earthworks valuation

In previous years, Transport for NSW carried bored and excavated tunnels and earthworks including cuttings and embankments at nil value on the basis that the assets could not be reliably measured. In 2017, Transport for NSW valued these assets using advances in technology, improved asset management systems, equipment and technical asset information. On balance, it appeared it may have been possible to reliably value these assets in a prior year. As a result, Transport for NSW recorded an additional $29.9 million in tunnel boring assets and $4,228.8 million in earthworks to correct the value of infrastructure assets with an adjustment to equity in 2017. The nature of the inputs to the valuation made it impractical to retrospectively restate previously reported balances.

Due to concerns around the completeness and the quality of data relating to the earthworks recognised in 2017, Transport for NSW has carried out an extensive process to ensure it has a complete database for all earthworks to support future valuations. Comparing the results of the data collected to the data used in the 2017 earthworks valuation has revealed

25. Correction of prior year balances (cont'd)

Earthworks valuation (cont'd)

significant variations, resulting in a decrement in fair value of $2,145.8 million. Accordingly, the prior year has been restated to correct the value of the earthworks, and this has been adjusted against equity in line with the 2017 treatment.

The main reason for the prior period adjustment derives from the use of incorrect assumptions in the 2017 valuation, mainly comprising:

- A larger proportion of assets on flatter terrain than originally assumed in 2017,
- Lower cutting and embankment heights than assumed in 2017,
- Unit rates used in 2017 did not accurately reflect the parameters of the earthworks, and
- Assumptions on the remaining useful life in 2017 did not accurately reflect the condition of the assets.

Additionally, depreciation in the prior year has been restated to correct the amount of earthworks depreciation in line with the corrected fair value (reduction of $61.5 million).

Waterloo Integrated Station Development

In 2018, Transport for NSW entered into a Collaboration Agreement with Urban Growth NSW Development Corporation (UGDC) in respect of the Waterloo Integrated Station Development (ISD), which involves the construction of Waterloo Station and Metro Quarter Development. This Collaboration Agreement was vested to Sydney Metro on 1 July 2018. Under the agreement, UGDC would contribute a total of $360.0 million to the project, being $260.0 million in grants for the construction of Waterloo Station and $100.0 million in consideration for the sale of developable land. In 2018, Transport for NSW received and recognised $160.0 million in contribution revenue. The remaining $200.0 million would be received in future periods.

Further analysis of the arrangements has determined that the right to receive the total contributions and the sale of developable land occurred in 2018 at the time the Collaboration Agreement was entered into. As such, the transaction to dispose of the land is recorded earlier than when proceeds are received, as are the remaining contributions. Transport for NSW has derecognised the carrying value of land disposed ($142.7 million) and recorded the present value of the consideration receivable as proceeds ($88.3 million), with the difference constituting a loss on disposal in 2018, as a prior period adjustment. Similarly the additional contribution revenue has been recognised at its present value ($92.5 million), as a prior period adjustment.

Since the Collaboration Agreement was vested to Sydney Metro on 1 July 2018, the proceeds receivable and contributions receivable have been included in the assets and liabilities vested from Transport for NSW to Sydney Metro upon its establishment.

25. Correction of prior year balances (cont'd)

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

Statement of comprehensive income
for the year ended 30 June 2018

	Notes	Original 2018 $'000	Adjustment $'000	Restated 2018 $'000
Expenses excluding losses				
Operating expenses				
Personnel service expenses	2(a)	473,410	-	473,410
Other operating expenses	2(b)	811,114	-	811,114
Major Rail project expense	2(c)	1,205,981	-	1,205,981
Depreciation and amortisation	2(d)	555,696	(61,487)	494,209
Grants and subsidies	2(e)	9,122,038	-	9,122,038
Finance Costs	2(f)	96,588	-	96,588
Other expenses	2(g)	1,337,360	-	1,337,360
Total expenses excluding losses		**13,602,187**	**(61,487)**	**13,540,700**
Revenue				
Appropriation	3(a)	12,262,646	-	12,262,646
Sale of goods and services	3(b)	337,692	-	337,692
Investment revenue	3(c)	19,224	-	19,224
Shared and corporate services revenue	3(d)	230,418	-	230,418
Grants and contributions	3(e)	3,011,205	92,466	3,103,671
Major rail project revenue	3(f)	1,205,981	-	1,205,981
Resources received free of charge	3(g)	20,354	-	20,354
Other revenue	3(h)	51,405	-	51,405
Total revenue		**17,138,925**	**92,466**	**17,231,391**
Gain/(loss) on disposal	4	(50,661)	(54,389)	(105,050)
Other gains/(losses)	5	(57,072)	-	(57,072)
Net result		**3,429,005**	**99,564**	**3,528,569**
Other comprehensive income				
Items that may be reclassified subsequently to net result				
Net gains/(losses) in commodity swaps and foreign exchange		1,796	-	1,796
Items that will not be reclassified to net result				
Net increase/(decrease) in asset revaluation surplus				
Total other comprehensive income		**1,796**	**-**	**1,796**
Total comprehensive income		**3,430,801**	**99,564**	**3,530,365**

25. Correction of prior year balances (cont'd)

Statement of financial position
as at 1 July 2017 and 30 June 2018

	Notes	Original 1 July 2017 $'000	Adjustment $'000	Restated 1 July 2017 $'000	Original 2018 $'000	Adjustment $'000	Restated 2018 $'000
ASSETS							
Current assets							
Cash and cash equivalents	7	754,685	-	754,685	756,784	-	756,784
Receivables	8	490,289	-	490,289	482,956	180,738	663,694
Financial assets at fair value	9	20	-	20	442	-	442
Other financial assets	11	85,000	-	85,000	30,000	-	30,000
Total current assets		**1,329,994**	**-**	**1,329,994**	**1,270,182**	**180,738**	**1,450,920**
Non-current assets							
Financial assets at fair value	9	21	-	21	73	-	73
Other financial assets	11	929	-	929	1,006	-	1,006
Property plant and equipment							
Land and buildings	12	315,717	-	315,717	265,533	-	265,533
Plant and equipment	12	1,408,195	-	1,408,195	1,481,414	-	1,481,414
Infrastructure systems	12	10,335,053	(2,145,823)	8,189,230	12,386,068	(2,226,998)	10,159,070
Property, plant and equipment	12	12,058,965	(2,145,823)	9,913,142	14,133,015	(2,226,998)	11,906,017
Intangible assets	13	858,803	-	858,803	941,363	-	941,363
Other assets	14	1,661,509	-	1,661,509	2,777,321	-	2,777,321
Total non-current assets		**14,580,227**	**(2,145,823)**	**12,434,404**	**17,852,778**	**(2,226,998)**	**15,625,780**
Total assets		**15,910,221**	**(2,145,823)**	**13,764,398**	**19,122,960**	**(2,046,260)**	**17,076,700**
LIABILITIES							
Current liabilities							
Payables	16	1,545,537	-	1,545,537	1,275,494	-	1,275,494
Borrowings	17	201,207	-	201,207	561,981	-	561,981
Provisions	18	4,035	-	4,035	16,295	-	16,295
Other Liabilities	19	195,799	-	195,799	173,809	-	173,809
Total current liabilities		**1,946,578**	-	**1,946,578**	**2,027,579**	-	**2,027,579**
Non-current liabilities							
Borrowings	17	1,388,248	-	1,388,248	1,018,147	-	1,018,147
Provisions	18	7,871	-	7,871	16,538	-	16,538
Other liabilities	19	176,381	-	176,381	190,039	-	190,039
Total non-current liabilities		**1,572,500**	**-**	**1,572,500**	**1,224,724**	**-**	**1,224,724**
Total liabilities		**3,519,078**	**-**	**3,519,078**	**3,252,303**	**-**	**3,252,303**
Net assets		**12,391,143**	**(2,145,823)**	**10,245,320**	**15,870,657**	**(2,046,260)**	**13,824,397**
EQUITY							
Accumulated funds		11,534,260	(2,145,823)	9,388,437	15,011,978	(2,046,260)	12,965,718
Reserves		856,883	-	856,883	858,679	-	858,679
Total equity		**12,391,143**	**(2,145,823)**	**10,245,320**	**15,870,657**	**(2,046,260)**	**13,824,397**

26. Financial instruments

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

Transport for NSW main risks arising from financial instruments are outlined below, together with Transport for NSW's objectives, policies and processes for measuring and managing risk. Further quantitatives and qualitative disclosures are included throughout theses financial statements.

The Secretary has overall responsibility for the establishment and oversight of risk management and review, and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set risk limits and controls and to monitor risks. Compliance with these policies is subject to review by the reporting entity on a continuous basis.

26. Financial instruments (cont'd)

(a) Financial instrument categories

(i) As at 30 June 2019 under AASB 9

	Note	Category	Carrying amount 2019 $'000	Carrying amount 2018 $'000
Financial assets				
Class:				
Cash and cash equivalents	7	N/A	841,657	756,784
Receivables[1]	8	Amortised cost	219,073	428,545
Financial assets at fair value	9	Fair value through profit or loss designated upon initial recognition	9	515
Other financial assets	11	Amortised cost	1,205	31,006
			1,061,944	**1,216,850**
Financial liabilities				
Class:				
Payables[2]	16	Financial liabilities measured at amortised cost	1,008,558	1,275,494
Other Liabilities	19	Financial liabilities measured at amortised cost	383,632	363,803
Borrowings	17	Financial liabilities measured at amortised cost	870,739	1,580,128
			2,262,929	**3,219,425**

During the year ended 30 June 2019, there were no defaults on any loans payable (2018: nil).

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

(ii) As at 30 June 2018 under AASB 139 (comparative period)

	Note	Category	Carrying amount 2019 $'000	Carrying amount 2018 $'000
Financial assets				
Class:				
Cash and cash equivalents	7	N/A	-	756,784
Receivables[1]	8	Loans and receivables (at amortised cost)	-	428,545
Financial assets at fair value	9	Derivatives designated as economic and cash flow hedges at fair value	-	515
Other financial assets	11	Loans and receivables (at amortised cost)	-	31,006
			-	**1,216,850**
Financial liabilities				
Class:				
Payables[2]	16	Financial liabilities measured at amortised cost	-	1,275,494
Other Liabilities	19	Financial liabilities measured at amortised cost	-	363,803
Borrowings	17	Financial liabilities measured at amortised cost	-	1,578,408
Financial liabilities at fair value	17	Derivatives designated as economic and cash flow hedges at fair value	-	1,720
			-	**3,219,425**

During the year ended 30 June 2018, there were no defaults on any loans payable.

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

[2]Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

The entity determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

26. Financial instruments (cont'd)

(b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if Transport for NSW transfers its right to receive cash flows from the assets; or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- Transport for NSW has transferred substantially all the risks and rewards of the asset; or
- Transport for NSW has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When Transport for NSW has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if , and to what extent it has retained the risks and rewards of ownership. Where Transport for NSW has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset is recognised to the extent of Transport for NSW's continuing involvement in the asset. In that case, Transport for NSW also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

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

(c) Derivatives

Transport for NSW held $0.01 million (2018:$0.1 million) in derivative financial assets and $nil (2018: $1.7 million) in derivative financial liabilities.

Foreign exchange risk management

Transport for NSW only uses derivatives for hedging purposes and not as trading or speculative instruments. Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency.

All forward currency contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 9 *Financial Instruments*. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

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

				Expected Cash flow			
		Weighted average exchange rate	Contract value	No later than 3 months	Later than 3 months and no later than 12 months	Later than 12 months	Total
			$'000	$'000	$'000	$'000	$'000
2019	Denominated in Euros	0.6111	1,600	-	1,600	-	1,600
	Foreign exchange contracts	**-**	**1,600**	**-**	**1,600**	**-**	**1,600**
2018	Denominated in Euros	0.6361	25,883	17,393	6,454	2,036	25,883
	Foreign exchange contracts	**-**	**25,883**	**17,393**	**6,454**	**2,036**	**25,883**

Information about the exposure is provided: credit risk in Note 26(d), the methods and assumptions used in determining fair values of derivatives in Note 26(c).

26. Financial instruments (cont'd)

(c) Derivatives (cont'd)

Energy price risk management

Transport for NSW is exposed to energy price risk associated with the purchase of energy to operate transport services.

It is Transport for NSW's policy to manage the energy price exposure arising from its energy load by entering into fixed price supply arrangements with retailers or to hedge forecast exposures on a portion of its energy load for periods up to 15 years.

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

(d) Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk can arise from financial assets of the reporting entity, including cash, receivables, and authority deposit. Transport for NSW holds bank guarantees for significant customers as well as property bonds for some leased premises. Transport for NSW has not granted any financial guarantees and do not hold any collateral.

Credit risk associated with Transport for NSW's financial assets other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. All debt management and investment activities are undertaken with TCorp, which is guaranteed by the NSW Government.

Transport for NSW considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Transport for NSW may also consider a financial asset to be in default when internal or external information indicates that Transport for NSW is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the reporting entity.

Cash and cash equivalents
Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the current Reserve Bank of Australia official cash rate.

Derivatives
Transport for NSW limits its exposure to credit risk by entering into derivative financial instruments only with approved counterparties that have an acceptable credit rating. Derivative counterparties are limited to high creditworthy organisations in the energy industry. Transport for NSW also utilises International Swaps and Derivative Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

26. Financial instruments (cont'd)

(d) Credit risk (cont'd)

Accounting policy for impairment of trade debtors and other financial assets under AASB 9

Receivables - trade debtors
All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payment for a period of greater than 90 days past due. These changes on loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) have not had a material impact on Transport for NSW receivables. Transport for NSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

Other financial assets – Term Deposits

The entity has placed funds on term deposits with TCorp which has been rated 'AAA' by Standard and Poor's. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The entity recognised provision for expected credit losses on its other financial assets in the amount of $nil in 2019.

Accounting policy for impairment of trade debtors and other financial assets under AASB 139 (comparative period only)

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 as at 30 June 2018. The only financial assets that are past due are "Sale of goods and services" in the "Receivables" category of the Statement of financial position.

26. Financial instruments (cont'd)

(d) Credit risk (cont'd)

		Expected credit loss rate %	Estimated total gross carrying amount at default $ '000	Expected credit loss $'000
	Current	-	-	-
2019	<30 days	-	-	-
	30-60 days	-	-	-
	61-90 days	-	-	-
	>91 days	-	-	-
	1 July 2018			
	Current		-	-
	<30 days	-	-	-
	30-60 days	-	-	-
	61-90 days	-	-	-
	>91 days	-	-	-
			-	**-**

		Past due but not impaired $ '000	Considered impaired $ '000	Total $ '000
2018	< 3 months overdue	8,735	-	8,735
	3 months - 6 months overdue	58	-	58
	> 6 months overdue	761	702	1,462
		9,554	**702**	**10,255**

The ageing analysis excludes statutory receivables as these are not within scope of *AASB 7*.

(e) Liquidity risk

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

Transport for NSW has access to credit facilities with TCorp of $nil (2018: $467.0 million) of which $nil (2018: $365.1 million) had been used at reporting date.

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

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

26. Financial instruments (cont'd)

(e) Liquidity risk (cont'd)

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

Maturity analysis and interest rate exposure of financial liabilities

	Weighted average effective Int. rate (%)	Nominal amount	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
			Interest rate exposure			**Maturity dates**		
		$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
2019								
Payables								
Trade creditors	-	93,048	-	-	93,048	93,048	-	-
Accrued expenses	-	816,634	-	-	816,634	816,635	-	-
Other creditors	-	1,064	-	-	1,064	1,064	-	-
Personnel services payable	-	97,809	-	-	97,809	97,809	-	-
Other liabilities	-	385,564	-	-	385,564	206,619	178,945	-
Borrowings								
Finance leases	4.09	870,739	870,739	-	-	105,418	351,360	413,961
Derivative financial instruments								
Foreign exchange contracts outflow	-	-	-	-	-	-	-	-
	-	**2,264,858**	**870,739**	**-**	**1,394,119**	**1,320,593**	**530,305**	**413,961**
2018								
Payables								
Trade creditors	-	101,459	-	-	101,459	101,459	-	-
Accrued expenses	-	1,095,001	-	-	1,095,001	1,095,001	-	-
Other creditors	-	1,139	-	-	1,139	1,139	-	-
Personnel services payable	-	77,895	-	-	77,895	77,895	-	-
Other liabilities	-	363,848	-	-	363,848	173,809	190,039	-
Borrowings								
TCorp borrowings	4.79	365,141	365,141	-	-	65,186	253,893	46,062
Finance leases	4.43	1,213,267	1,213,267	-	-	496,580	398,677	318,010
Derivative financial instruments								
Foreign exchange contracts outflows	-	1,720	-	-	1,720	215	1,505	-
	-	**3,219,470**	**1,578,408**	**-**	**1,641,062**	**2,011,284**	**844,114**	**364,072**

26. Financial instruments (cont'd)

(f) Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. Transport for NSW's exposure to market risk is primarily through interest rate risk on Transport for NSW's borrowings, foreign exchange risks associated with overseas purchase commitments and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Investment Facility.

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

Transport for NSW does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through Transport for NSW's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily TCorp. Transport for NSW does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Transport for NSW's exposure to interest rate risk is set out in the table below:

		-1%		+1%	
	Carrying amount 2019 $'000	Net result 2019 $'000	Equity 2019 $'000	Net result 2019 $'000	Equity 2019 $'000
Financial assets					
Cash and cash equivalents	841,657	(842)	(842)	842	842

		-1%		+1%	
	Carrying amount 2018 $'000	Net result 2018 $'000	Equity 2018 $'000	Net result 2018 $'000	Equity 2018 $'000
Financial assets					
Cash and cash equivalents	756,784	(757)	(757)	757	757

26. Financial instruments (cont'd)

(f) Market risk (cont'd)

Foreign exchange risk

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

Transport for NSW manages its foreign exchange risk by entering into forward exchange contracts in accordance with the Transport for NSW risk management policies.

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

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

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

			+10%		-10%	
		Contract value	**Net result**	**Equity**	**Net result**	**Equity**
		$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**
2019	Denominated in Euros	1,600	-	160	-	(160)
	Foreign exchange contracts	**1,600**	**-**	**160**	**-**	**(160)**
2018	Denominated in US Dollars	-	-	-	-	-
	Denominated in Euros	25,883	-	2,588	-	(2,588)
	Foreign exchange contracts	**25,883**	**-**	**2,588**	**-**	**(2,588)**

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26. Financial instruments (cont'd)

(g) 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 follows:

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

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

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

	2019 Carrying amount $'000	2019 Fair value $'000	Fair value level	2018 Carrying amount $'000	2018 Fair value $'000	Fair value level
Financial liabilities at fair value						
Borrowings	-	-	-	365,141	378,169	2
	-	**-**		**365,141**	**378,169**	

26. Financial instruments (cont'd)

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total
Financial assets at fair value				
Derivative financial instruments	-	9	-	**9**
	-	**9**	**-**	**9**
Financial liabilities at fair value				
Derivative financial instruments	-	-	-	**-**
	-	**-**	**-**	**-**

	Level 1 2018 $'000	Level 2 2018 $'000	Level 3 2018 $'000	Total
Financial assets at fair value				
Derivative financial instruments	-	515	-	515
	-	**515**	**-**	**515**
Financial liabilities at fair value				
Derivative financial instruments	-	1,720	-	1,720
	-	**1,720**	**-**	**1,720**

Transport for NSW uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

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

Transport for NSW has assessed the fair value of its foreign exchange derivatives on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

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

The fair value of the energy derivative is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

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

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

27. Administrative restructure

Net assets and liabilities transferred to and (from) Transport for NSW were as follows:

	State Transit Authority 2019 $'000	Sydney Metro 2019 $'000	Total 2019 $'000	Total 2018 $'000
ASSETS				
Current assets				
Cash and cash equivalents	35,655	-	35,655	-
Receivables	399,118	(308,737)	90,381	-
Total current assets	**434,773**	**(308,737)**	**126,036**	**-**
Property plant & equipment				
Land and buildings	298,456	(7,000)	291,456	-
Plant and equipment	27,351	-	27,351	-
Infrastructure systems	-	(4,348,632)	(4,348,632)	-
Other assets	-	(2,137,461)	(2,137,461)	-
Total non-current assets	**325,807**	**(6,493,093)**	**(6,167,286)**	**-**
Total assets	**760,580**	**(6,801,830)**	**(6,041,250)**	**-**
LIABILITIES				
Current liabilities				
Payables	28,381	(398,046)	(369,665)	-
Other provisions	1,024	-	1,024	-
Total current liabilities	**29,405**	**(398,046)**	**(368,641)**	**-**
Borrowings	175,878	(1,505)	174,373	-
Other liabilities	-	(74,694)	(74,694)	-
Total non-current liabilities	**175,878**	**(76,199)**	**99,679**	**-**
Total liabilities	**205,283**	**(474,245)**	**(268,962)**	**-**
Net assets	**555,297**	**(6,327,585)**	**(5,772,288)**	**-**

On 1 July 2018 the Minister for Transport and Infrastructure approved the transfer of bus, land, buildings and other assets and liabilities (net $555.3 million) from State Transit Authority (STA) to Transport for NSW relating to region 6 as well as the STA operated regions 7, 8, and 9, effective 1 July 2018. Assets related to region 6 are then leased from Transport for NSW to Transit Systems West, and assets related to regions 7, 8, and 9 are then leased from Transport for NSW to STA.

On 1 July 2018, Sydney Metro was constituted as a corporation under the *Transport Administration Amendment (Sydney Metro) Act 2018*. As a result of this, the Minister for Transport and Infrastructure approved the transfer of certain assets and liabilities (net $6,327.6 million), including prepaid assets and assets under construction, from Transport for NSW to Sydney Metro, effective 1 July 2018.

28. Related party disclosures

a) Key management personnel compensation

During the year, the entity incurred $5,087,039 in respect of the key management personnel services that are provided by the Department of Transport and Transport Service of NSW. The amount incurred excludes long service leave and defined benefit superannuation scheme benefits assumed by the Crown Entity in accordance with NSWTC 16-12 Related party disclosures.

28. Related party disclosures (cont'd)

b) Transactions and outstanding balances with key management personnel of the entity and its parent during the financial year

There were no material transactions or outstanding balances with key management personnel of the entity and its parent during the financial year.

c) Transactions and outstanding balances with other related parties during the financial year

There were no transactions or outstanding balances with other related parties during the financial year.

d) Transactions with government related entities during the financial year

During the 2018-19 financial year, Transport for NSW has entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Grants and contributions from NSW Treasury to fund redundancy grants in the Transport cluster, Roads and Maritime Services capital works, Sydney Metro City and Southwest project funded by Restart NSW, Northern Beaches B-line project and Parramatta Light Rail project
- Grants and contributions from the Department of Family & Community Services for the Commonwealth Home Support Program
- Monthly reimbursements from RailCorp for the design and construction of major rail projects
- Recoupment of project costs incurred by Transport for NSW on behalf of Roads and Maritime Services, Sydney Trains and Sydney Metro
- Contributions from City of Sydney Council for light rail
- Resources received free of charge from the Crown Finance Entity relating to employee benefits and other liabilities
- Grants paid to various Transport cluster agencies including Sydney Trains, NSW Trains, RailCorp, Roads and Maritime Services, Sydney Metro and Sydney Ferries
- Non-cash grants to Roads and Maritime Services
- Road safety grants paid to NSW Police to support drug and alcohol screening
- Grants paid to the Department of Education
- Grants paid to the State Insurance Regulatory Authority for Centre for Road Safety
- Grants and subsidies to local councils for the Commonwealth Home Support Program
- Reimbursements to State Transit Authority for bus purchases
- Hire of rail services for major events from Sydney Trains
- Property acquisition from Ministry of Health for Parramatta Light Rail Project
- Short term deposits held by NSW Treasury Corporation and associated interest income
- Interest revenue earned from the Treasury Banking System
- NSW TCorp borrowings and associated interest expense
- Payments for personnel services provided by Transport Service and personnel service revenue for seconded staff from other NSW government agencies
- Annual fees due to the Office of the National Rail Safety Regulator
- Rental expenses paid to Property New South Wales
- Equity transfers from RailCorp and State Transit Authority to Transport for NSW under the *Transport Administration Act 1988*
- Equity transfer to Sydney Metro when it was constituted as a corporation under the *Transport Administration Act 1988*
- Equity transfer to Rail Corporation New South Wales in accordance with *TPP 09-3 'Contributions by owners made to wholly owned public sector entities'*
- Borrowings transferred to the Crown Finance Entity

29. Administered assets and liabilities

	2019 $'000	2018 $'000
Cash	229	1,912
Administered assets	**229**	**1,912**
Other	229	1,912
Administered liabilities	**229**	**1,912**

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.

30. After balance date events

On 1 July 2019, a ministerial order transferred the assets, rights and liabilities relating to the Country Regional Network from Transport for NSW to RailCorp. The Country Regional Network comprises an operational rail network, containing passenger, freight and grain lines, and a non-operational rail network and excludes any land and infrastructure which is leased to Australian Rail Track Corporation. The fair value of the assets transferred was approximately $4,528.1 million.

As part of the Machinery of Government Changes, the NSW Government has announced its intention to integrate Roads and Maritime Services into Transport for NSW, with Roads and Maritime Services ceasing to operate as a separate agency within the Transport cluster. The Bill to effect the changes is currently before the NSW Parliament.

End of audited financial statements.

INDEPENDENT AUDITOR'S REPORT

Transport for NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Transport for NSW, which comprise the Statement of comprehensive income for the year ended 30 June 2019, the Statement of financial position as at 30 June 2019, the Statement of changes in equity and the Statement of cash flows for the year then ended, notes comprising a Summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of Transport for NSW as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of Transport for NSW in accordance with the requirements of the:

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Transport for NSW's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of Transport for NSW is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing Transport for NSW's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that Transport for NSW carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Margaret Crawford
Auditor-General of New South Wales

3 October 2019
SYDNEY

Transport Service of New South Wales

Annual Financial Statements

for the year ended 30 June 2019

Table of contents

Transport Service of New South Wales
Statement by the Secretary
for the year ended 30 June 2019

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* (the Act) and *Public Finance and Audit Regulation 2015*; and
  - Treasurer's Directions issued under section 9(2)(n) of the Act.

(b) The statements exhibit a true and fair view of the financial position 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.

Rodd Staples
Secretary

Date: 24 September 2019

Transport Service of New South Wales
Statement of comprehensive income
as at 30 June 2019

	Notes	2019 $'000	2018 $'000
Expenses excluding losses			
Employee related	2(a)	1,986,191	1,966,552
Other operating	2(b)	47	46
Total expenses excluding losses		**1,986,238**	**1,966,598**
Revenue			
Grants and contributions	3(c)	47	46
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	108,738	54,365
Personnel service revenue	3(a)	1,906,160	1,905,593
Total revenue		**2,014,945**	**1,960,004**
Net result		**28,707**	**(6,594)**
Other comprehensive income			
Items that may be reclassified subsequently to net result			
Remeasurement of defined benefit superannuation schemes	7	(28,707)	6,594
Total other comprehensive income		**(28,707)**	**6,594**
Total comprehensive income		**-**	**-**

The accompanying notes form part of these financial statements.

Transport Service of New South Wales
Statement of financial position
as at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	43,346	38,335
Receivables	5	272,506	278,015
Total current assets		**315,852**	**316,350**
Non-current assets			
Receivables	5	200,944	187,063
Total non-current assets		**200,944**	**187,063**
Total assets		**516,796**	**503,413**
LIABILITIES			
Current liabilities			
Payables	6	32,411	24,054
Employee benefits	7	283,441	292,296
Total current liabilities		**315,852**	**316,350**
Non-current liabilities			
Employee benefits	7	200,944	187,063
Total non-current liabilities		**200,944**	**187,063**
Total liabilities		**516,796**	**503,413**
Net assets		**-**	**-**
EQUITY			
Accumulated funds		-	-
Total equity		**-**	**-**

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 2019

	Notes	Accumulated funds $ '000	Total equity $ '000
Balance at 1 July 2018		**-**	**-**
Net result for the year		**28,707**	**28,707**
Other comprehensive income			
Remeasurement of defined benefit superannuation schemes	7	(28,707)	(28,707)
Total other comprehensive income		**(28,707)**	**(28,707)**
Total comprehensive income for the year		**-**	**-**
Balance at 30 June 2019		**-**	**-**
Balance at 1 July 2017		**-**	**-**
Net result for the year		**(6,594)**	**(6,594)**
Other comprehensive income			
Remeasurement of defined benefit superannuation schemes	7	6,594	6,594
Total other comprehensive income		**6,594**	**6,594**
Total comprehensive income for the year		**-**	**-**
Balance at 30 June 2018		**-**	**-**

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 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Payments			
Employee related		(1,892,701)	(1,910,353)
Total payments		**(1,892,701)**	**(1,910,353)**
Receipts			
Personnel services		1,897,712	1,934,733
Total receipts		**1,897,712**	**1,934,733**
Net cash flows from operating activities	8	**5,011**	**24,380**
Cash flows from investing activities			
Net cash flows from investing activities		**-**	**-**
Cash flows from financing activities			
Net cash flows from financing activities		**-**	**-**
Net (decrease)/increase in cash		**5,011**	**24,380**
Opening cash and cash equivalents		38,335	13,955
Closing cash and cash equivalents	4	**43,346**	**38,335**

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 a not-for-profit agency (as profit is not its principal objective) to employ staff to enable Transport for NSW, which cannot directly employ staff, to undertake its functions. Transport Service also directly employs staff for Roads and Maritime Services (RMS), State Transit Authority (STA), Sydney Metro, as well as senior executives of Sydney Trains and NSW Trains.

The salaries and related costs are recovered from the relevant entities to which the employees are assigned except for long service leave and defined benefits superannuation scheme expenses relating to Transport for NSW, RMS and all senior executives which are assumed by the Crown.

Transport Service is a NSW government entity controlled by the Department of Transport. The financial statements of Transport Service are consolidated in the Department of Transport financial statements and the NSW Total State Sector, which is the ultimate parent.

The financial statements of Transport Service for the year ended 30 June 2019 were authorised for issue by the Secretary on the date the accompanying statement was signed.

(b) Basis of preparation

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

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

Financial statements items are prepared in accordance with the historical cost convention except for superannuation.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

(c) Critical accounting estimates, judgements and assumptions

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

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

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

(d) Statement of compliance

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

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

(e) Comparative information

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

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

(i) Effective for the first time in 2019

The accounting policies applied in 2019 are consistent with those of the previous financial year. AASB 9 Financial Instruments, effective for the first time in 2019, had no significant impact on the financial statements.

(ii) New Australian Accounting Standards issued but not effective

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

- AASB 15 *Revenue from Contracts with Customers*, including the amendments AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8 has application from annual reporting periods on or after 1 January 2019. This standard impacts the timing of recognition of certain revenue given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine revenue recognition.

- AASB 1058 *Income of Not-for-profit Entities* is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 *Contributions* (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, Transport Services will need to determine whether a transaction is consideration received below fair value principally to enable further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

- The standards will result in the identification of separate performance obligations that will not change the timing of recognition for revenues, including revenues relating to sales of services and specific purpose grants and subsidies. Based on the impact assessments, it is estimated that the adoption of AASB 15 and AASB 1058 will not impact the revenue recognised.

- Transport Services will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.

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

Standard	**Applicable to annual reporting periods beginning on or after**
AASB 16 *Leases*	1 January 2019
AASB 1059 *Service Concession Arrangements: Grantors*	1 January 2020
AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*	1 January 2019

2. Expenses excluding losses

(a) Employee related expenses

	2019 $'000	2018 $'000
Salaries and wages (including annual leave)	1,589,143	1,603,210
Superannuation - defined benefit plan	12,262	25,028
Superannuation - defined contribution plan	127,877	123,504
Long service leave	106,148	55,542
Workers' compensation insurance	18,016	12,439
Payroll tax and fringe benefit tax	101,786	102,031
Redundancies	30,250	43,989
Other employment benefits	709	809
Employee related expenses	**1,986,191**	**1,966,552**

(b) Other operating expenses

	2019 $'000	2018 $'000
Auditor's remuneration - audit of financial statements	47	46
Other operating expenses	**47**	**46**

3. Revenue

(a) Personnel service revenue

	2019 $'000	2018 $'000
Fee for personnel services	1,906,160	1,905,593
Personnel service revenue	**1,906,160**	**1,905,593**

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

	2019 $'000	2018 $'000
Superannuation - defined benefit	13,950	13,028
Long service leave	94,065	40,546
Payroll tax	723	791
Acceptance by the Crown Entity of employee benefits and other liabilities	**108,738**	**54,365**

(c) Grants and contributions

	2019 $'000	2018 $'000
Grant from Transport for NSW	47	46
Grants and contributions	**47**	**46**

3. Revenue (cont'd)

Recognition and measurement

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to Transport Service and the income can be reliably measured.

Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised

4. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank	43,346	38,335
Cash and cash equivalents	**43,346**	**38,335**

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank.

5. Receivables

	2019 $'000	2018 $'000
Personnel service receivables	272,506	278,015
Current receivables	**272,506**	**278,015**
Personnel service receivables	200,944	187,063
Non-current receivables	**200,944**	**187,063**

Recognition and measurement

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price.

(i) Subsequent measurement under AASB 9 (1 July 2018)

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

(ii) Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment under AASB 9 (1 July 2018)

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

5. Receivables (cont'd)

Recognition and measurement (cont'd)

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The entity first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

6. Payables

	2019 $'000	2018 $'000
Accruals - salaries and oncosts	19,038	23,156
Creditors	13,373	898
Current payables	**32,411**	**24,054**

Recognition and measurement

Payables include accrued salaries and wages and related on-costs (such as payroll tax, fringe benefits tax, workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

7. Employee benefits

	2019 $'000	2018 $'000
Annual leave[1]	159,232	157,852
Long service leave[2]	110,406	116,171
Workers compensation insurance[3]	4,279	3,715
Payroll tax	7,102	9,404
Public holidays	255	351
Severance payments / redundancies	2,167	4,803
Current employee benefits	**283,441**	**292,296**
Long service leave[2]	10,890	11,781
Workers compensation insurance[3]	21,171	18,316
Superannuation	168,883	156,966
Non-current employee benefits	**200,944**	**187,063**
Employee benefits - current	283,441	292,296
Employee benefits - non-current	200,944	187,063
Accruals - salaries and on-costs	19,038	23,156
Total employee benefits and related on-costs	**503,423**	**502,515**

[1] It is estimated that the provision for annual leave includes an amount of $10.9 million that is expected to be taken after 30 June 2020 (after 30 June 2019: $5.1 million).

[2] The provision for long service leave represents consequential costs not assumed by the Crown Entity for Transport for NSW and RMS Employment Groups and the provision for long service leave and associated consequential costs for State Transit Authority (STA) Employment Group of Transport Service as per NSW TC 18/13. It is estimated that the current provision for long service leave includes an amount of $102.9 million that is expected to be taken after 30 June 2020 (after 30 June 2019: $106.3 million).

[3] Includes STA self insurance arrangement for workers compensation.

7. Employee benefits (cont'd)

Recognition and measurement

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

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Transport Service has assessed the actuarial advice based on Transport Service's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

(ii) Long service leave and superannuation

Transport Services' liabilities for long service leave and defined benefit superannuation are either assumed by the Crown Finance Entity or the entity itself.

For liabilities that are assumed by the Crown Finance Entity, Transport Service accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Finance Entity of employee benefits and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSW TC 18/13) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense recognised in the Statement of comprehensive income comprises:
- defined contribution plans, the expense is calculated as a percentage of the employees' salary;
- defined benefit plans, the expense is a multiple of the employees' superannuation contributions as specified in the Treasury Circular *"Accounting for Superannuation"* (NSW TC 18/10).

When liabilities are assumed by Transport Service, they are recognised in the Statement of financial position and measured as follows:
- Long service leave is measured as the present value of expected future payments to be made in respect of employee's service up to the reporting date, in accordance with AASB 119 *Employee Benefits*. This is based on an actuarial assessment. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service.
- Contributions to defined contribution plans are expensed when incurred. The superannuation expense is calculated as a percentage of the employee's salary. A liability is recognised only to the extent of unpaid employer contributions at reporting date.

7. Employee benefits (cont'd)

Recognition and measurement (cont'd)

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

- For defined benefit plans, actuarial valuations are carried out at each reporting date by Mercer and the actuarial gains and losses are recognised outside of the net result in other comprehensive income in the year in which they occur. Expenses are recognised based on service costs plus net interest on the net liability or asset for the reporting period as calculated and advised by Mercer. A net liability or asset is recognised based on the difference between the present value of Transport Services' defined benefit obligations and the fair value of fund assets as at the reporting date, as adjusted for any asset ceiling. The net liability or asset is actuarially determined.

(iii) Consequential on-costs

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

Defined benefit superannuation overview for STA Employment Group

This overview only relates to the STA Employment Group whose defined benefit superannuation schemes are not assumed by the Crown Entity.

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

An underfunded scheme is recognised as a provision and an overfunded scheme is recognised as an asset. Details of both provisions and assets are given below. All paragraph references following pertain to AASB 119 *Employee Benefits.*

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

Year ended 30 June 2019	SASS	SANCS	SSS	Total
Member numbers				
Contributors	180	180	-	
Deferred benefits	-	-	-	
Pensioners	213	-	17	
Pensions fully commuted	-	-	2	
	$'000	**$'000**	**$'000**	**$'000**
Superannuation Position for AASB 119 purposes				
Accrued liability (Note 1)	271,681	11,648	22,649	305,978
Estimated reserve account balance	(108,528)	(15,333)	(13,234)	(137,095)
Deficit/(surplus)	**163,153**	**(3,685)**	**9,415**	**168,883**
Future service liability (Note 2)	3,536	2,481	-	6,017
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of financial position	**163,153**	**(3,685)**	**9,415**	**168,883**

Year ended 30 June 2018	SASS	SANCS	SSS	Total
Member numbers				
Contributors	303	303	-	
Deferred benefits	-	-	-	
Pensioners	200	-	17	
Pensions fully commuted	-	-	2	
	$'000	**$'000**	**$'000**	**$'000**
Superannuation Position for AASB 119 purposes				
Accrued liability (Note 1)	299,438	17,562	19,590	336,590
Estimated reserve account balance	(146,395)	(20,259)	(12,970)	(179,624)
Deficit/(surplus)	**153,043**	**(2,697)**	**6,620**	**156,966**
Future service liability (Note 2)	6,489	3,749	-	10,238
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of financial position	**153,043**	**(2,697)**	**6,620**	**156,966**

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

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

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Nature of the benefits provided by the fund – Para 139(a)(i)**

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

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

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

All the schemes are closed to new members.

- **Description of the regulatory framework - Para 139(a)(ii)**

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

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

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

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

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

- **Description of other entities' responsibilities for the governance of the fund - Para 139(a)(iii)**

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

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

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Description of risks - Para 139(b)**

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

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

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

- **Description of significant events - Para 139(c)**

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

- **Reconciliation of the net defined benefit liability/(asset) - Para 140(a)**

Year ended 30 June 2019	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net defined benefit liability/(asset) at start of year	153,043	(2,697)	6,620	156,966
Current service cost	2,534	646	-	3,180
Net interest on the net defined benefit liability/(asset)	3,867	(83)	175	3,959
Actual return on fund assets less interest income	(6,571)	(757)	(696)	(8,024)
Actuarial (gains)/losses arising from changes in financial assumptions	31,759	903	3,508	36,170
Actuarial (gains)/losses from liability experience	822	(154)	(192)	476
Employer contributions	(14,250)	(852)	-	(15,102)
Actuarial (gains)/losses arising from changes in demographic assumptions	86	(1)	-	85
(Gains)/losses arising from settlements	(8,137)	(690)	-	(8,827)
Net defined benefit liability/(asset) at end of year	**163,153**	**(3,685)**	**9,415**	**168,883**

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Reconciliation of the net defined benefit liability/(asset) - Para 140(a) (cont'd)**

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Net defined benefit liability/(asset) at start of year	166,161	(883)	7,295	172,573
Current service cost	3,514	873	-	4,387
Net interest on the net defined benefit liability/(asset)	4,138	(39)	191	4,290
Actual return on fund assets less interest income	(8,819)	(1,117)	(734)	(10,670)
Actuarial (gains)/losses arising from changes in financial assumptions	(466)	23	(77)	(520)
Actuarial (gains)/losses from liability experience	(543)	(140)	(155)	(838)
Employer contributions	(16,445)	(1,245)	-	(17,690)
Actuarial (gains)/losses arising from changes in demographic assumptions	5,503	(169)	100	5,434
Net defined benefit liability/(asset) at end of year	**153,043**	**(2,697)**	**6,620**	**156,966**

- **Reconciliation of the fair value of fund assets – Para 140(a)(i)**

Year ended 30 June 2019	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Fair value of fund assets at the beginning of the year	146,395	20,259	12,970	179,624
Interest income	3,709	510	331	4,550
Actual return on fund assets less interest income	6,571	757	696	8,024
Employer contributions	14,250	852	-	15,102
Contributions by participants	1,488	-	-	1,488
Benefits paid	(30,021)	(3,538)	(875)	(34,434)
Taxes, premiums & expenses paid	(1,517)	(24)	112	(1,429)
Settlements*	(32,347)	(3,483)	-	(35,830)
Fair value of fund assets at end of the year	**108,528**	**15,333**	**13,234**	**137,095**

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Fair value of fund assets at the beginning of the year	170,361	23,960	12,648	206,969
Interest income	4,337	605	320	5,262
Actual return on fund assets less interest income	8,819	1,117	734	10,670
Employer contributions	16,445	1,245	-	17,690
Contributions by participants	1,991	-	-	1,991
Benefits paid	(55,040)	(6,368)	(858)	(62,266)
Taxes, premiums & expenses paid	(518)	(300)	126	(692)
Fair value of fund assets at end of the year	**146,395**	**20,259**	**12,970**	**179,624**

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Reconciliation of the defined benefit obligation – Para 140(a)(ii)**

Year ended 30 June 2019	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligation at beginning of the year	299,438	17,563	19,589	336,590
Current service cost	2,534	646	-	3,180
Interest cost	7,576	426	507	8,509
Contributions by participants	1,488	-	-	1,488
Actuarial (gains)/losses arising from changes in demographic assumptions	86	(1)	-	85
Actuarial (gains)/losses arising from changes in financial assumptions	31,759	903	3,508	36,170
Actuarial (gains)/losses arising from liability experience	822	(154)	(192)	476
Benefits paid	(30,021)	(3,538)	(875)	(34,434)
Taxes, premiums & expenses paid	(1,517)	(24)	112	(1,429)
Settlements*	(40,484)	(4,173)	-	(44,657)
Present value of defined benefit obligations at end of the year	**271,681**	**11,648**	**22,649**	**305,978**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligation at beginning of the year	336,522	23,078	19,942	379,542
Current service cost	3,514	873	-	4,387
Interest cost	8,475	566	511	9,552
Contributions by participants	1,991	-	-	1,991
Actuarial (gains)/losses arising from changes in demographic assumptions	5,503	(169)	100	5,434
Actuarial (gains)/losses arising from changes in financial assumptions	(466)	23	(77)	(520)
Actuarial (gains)/losses arising from liability experience	(543)	(140)	(155)	(838)
Benefits paid	(55,040)	(6,368)	(858)	(62,266)
Taxes, premiums & expenses paid	(518)	(300)	126	(692)
Present value of defined benefit obligations at end of the year	**299,438**	**17,563**	**19,589**	**336,590**

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Fair value of fund assets - Para 142**

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

Year ended 30 June 2019	Total	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
	$'M	$'M	$'M	$'M
Short term securities	4,043	2,136	1,907	-
Australian fixed interest	2,295	5	2,290	-
International fixed interest	1,968	7	1,952	9
Australian equities	8,369	7,818	548	3
International equities	11,387	8,795	2,592	-
Property	3,589	699	717	2,173
Alternatives	10,558	327	5,758	4,473
Total	**42,209**	**19,787**	**15,764**	**6,658**

Year ended 30 June 2018	Total	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
	$'M	$'M	$'M	$'M
Short term securities	4,401	2,185	2,216	-
Australian fixed interest	2,235	42	2,193	-
International fixed interest	1,396	8	1,388	-
Australian equities	9,272	8,720	549	3
International equities	10,891	8,499	2,391	1
Property	3,711	788	609	2,314
Alternatives	9,895	421	5,333	4,141
Total	**41,801**	**20,663**	**14,679**	**6,459**

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Fair value of fund assets - Para 142 (cont'd)**

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

	2019 %	2018 %
Short term securities	9.6	10.5
Australian fixed interest	5.4	5.3
International fixed interest	4.7	3.3
Australian equities	19.8	22.2
International equities	27.0	26.1
Property	8.5	8.9
Alternatives	25.0	23.7
Total	**100.0**	**100.0**

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 2019 include $99.5 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:
- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $316.0 million (30 June 2018: $280.0 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $331.0 million (30 June 2018: $287.0 million).

- **Significant actuarial assumptions at the reporting date - Para 144**

	2019	2018
Discount rate	1.32% pa	2.65% pa
Salary increase rate (excluding promotional increases)	3.2% pa	2.7% pa for 2018/2019;3.2% pa thereafter
Rate of CPI increase	1.75% for 2018/19 and 2019/20, 2.00% for 2020/21; 2.25% for 2021/22 and 2022/23; 2.50% pa thereafter.	2.25% pa for 2018/2019 and 2019/2020; 2.5% pa thereafter
Pensioner mortality	as per the 2018 Actuarial Investigation of the Pooled Fund.	as per the 2018 Actuarial Investigation of the Pooled Fund

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Sensitivity analysis – Para 145**

The entity's total defined benefit obligation as at 30 June 2019 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2019.

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

Year ended 30 June 2019	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	as above	as above less 1.0% pa	as above plus 1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	305,978	342,738	275,776
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	305,978	320,706	292,495
	Base case	**Scenario E +0.5% rate of salary increase**	**Scenario F -0.5% rate of salary increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A$'000)	305,978	308,307	303,724
	Base case	**Scenario G Lower mortality rates***	**Scenario H Higher mortality rates****
Defined benefit obligation (A$'000)	305,978	310,771	302,898

*Assumes the short term pensioner mortality improvement factors for years 2019 to 2023 also apply for years after 2023.
**Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2019 to 2023.

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

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Sensitivity analysis – Para 145 (cont'd)**

The entity's total defined benefit obligation as at 30 June 2018 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 2018.

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

Year ended 30 June 2018	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	2.65%	1.65%	3.65%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	336,590	370,892	308,144

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	336,590	349,299	324,931

	Base case	Scenario E +0.5% rate of salary increase	Scenario F -0.5% rate of salary increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A$'000)	336,590	339,895	333,397

	Base case	Scenario G Higher mortality rates*	Scenario H Lower mortality rates**
Defined benefit obligation (A$'000)	336,590	340,470	334,102

*Assumes the short term pensioner mortality improvement factors for years 2018 to 2023 also apply for years after 2023.
**Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2018 to 2023.

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

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **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.

- **Funding arrangements - Para 147(a)**

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

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

- **Surplus/deficit**

The following is a summary of the 30 June 2019 financial position of the Fund calculated in accordance with AASB 1056 "Superannuation Entities":

Year ended 30 June 2019	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued benefits*	157,445	9,672	10,897	178,014
Net market value of fund assets	(108,528)	(15,333)	(13,234)	(137,095)
Net (surplus)/deficit	**48,917**	**(5,661)**	**(2,337)**	**40,919**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued benefits*	203,394	15,822	10,932	230,148
Net market value of fund assets	(146,395)	(20,259)	(12,970)	(179,624)
Net (surplus)/deficit	**56,999**	**(4,437)**	**(2,038)**	**50,524**

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

- **Contribution recommendations**

Year ended 30 June 2019	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contributions rates were:			
STA Employment Group	2.2	2.5%	-

Year ended 30 June 2018	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contributions rates were:			
STA Employment Group	2.2	2.5%	-

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Economic assumptions**

The economic assumptions adopted for the 30 June 2019 AASB 1056 "Superannuation entities":

Weighted-average assumptions	**2019 % p.a.**	**2018 % p.a.**
Expected rate of return on fund assets backing current pension liabilities	7.4% pa	7.4% pa
Expected rate of return on fund assets backing other liabilities	6.4% pa	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	3.2% pa	2.7% to 30 June 2019 then 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa	2.2% pa

- **Expected contributions - Para 147(b)**

Year ended 30 June 2019	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Expected employer contributions	2,033	327	-	2,360

Year ended 30 June 2018	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Expected employer contributions	3,273	529	-	3,802

- **Maturity profile of defined benefit obligation - Para 147(c)**

The weighted average duration of the defined benefit obligation is 10.5 years.

- **Profit or loss impact**

Year ended 30 June 2019	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Current service cost	2,534	646	-	3,180
Net interest	3,867	(83)	175	3,959
(Gains)/Loss on settlement	(8,137)	(690)	-	(8,827)
Defined benefit cost	**(1,736)**	**(127)**	**175**	**(1,688)**

Year ended 30 June 2018	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Current service cost	3,514	873	-	4,387
Net interest	4,137	(39)	191	4,289
Defined benefit cost	**7,651**	**834**	**191**	**8,676**

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Other comprehensive income**

Year ended 30 June 2019	**SASS**	**SANCS**	**SSS**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Actuarial (gains)/losses on liabilities	32,667	748	3,316	36,731
Actual return on fund asset less interest income	(6,571)	(757)	(696)	(8,024)
Total remeasurement in other comprehensive income	**26,096**	**(9)**	**2,620**	**28,707**

Year ended 30 June 2018	**SASS**	**SANCS**	**SSS**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Actuarial (gains)/losses on liabilities	4,494	(286)	(132)	4,076
Actual return on fund assets less interest income	(8,819)	(1,117)	(734)	(10,670)
Total remeasurement in other comprehensive income	**(4,325)**	**(1,403)**	**(866)**	**(6,594)**

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

	2019	**2018**
	$'000	**$'000**
Net cash flows from operating activities	5,011	24,380
Non cash acceptance by the Crown Entity of employee entitlements	108,738	54,365
Non cash expense (long service leave and superannuation assumed by the Crown Entity)	(108,738)	(54,365)
Actuarial losses/(gains)	28,707	(6,594)
Increase/(decrease) in receivables	8,372	(28,971)
Increase in payables	(8,357)	(2,513)
(Increase)/decrease in employee benefits	(5,026)	7,104
Net result	**28,707**	**(6,594)**

9. Financial instruments

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

The reporting entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of the reporting entity do not expose it to a variety of financial risks such as credit, liquidity or market risk. The main risks arising from any financial instrument of the reporting entity are outlined below together with the reporting entity's objectives, policies and processes for measuring and managing the risks.

Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary of the reporting entity has overall responsibility for the establishment and oversight of risk management and review and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the entity on a continuous basis.

(a) Financial instrument categories

	Note	Category	Carrying amount 2019 $'000	Carrying amount 2018 $'000
Financial assets				
Class:				
Cash and cash equivalents	4	N/A	43,346	38,335
Receivables[1]	5	Financial assets (at amortised cost)	473,450	465,078
			516,796	**503,413**

	Note	Category	2019 $'000	2018 $'000
Financial liabilities				
Class:				
Payables[2]	6	Financial liabilities (at amortised cost)	31,641	23,263
			31,641	**23,263**

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB7)
[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

The 2019 carrying amounts shown above are under AASB 9 (2018: The carrying amounts are under AASB 139)

(b) Derecognition of financial assets and financial liabilities

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

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

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

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

9. Financial instruments (cont'd)

(c) Credit risk

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

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions.

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

(i) Cash

Cash comprises bank balances within the NSW Treasury Banking System.

(ii) Receivables – personnel service receivables

All personnel service receivables are recognised as amounts receivable at balance date. Personnel service receivables are employee related. All debtors are NSW government agencies and no debtor balances are considered impaired as 30 June 2019.

(d) Liquidity risk

Liquidity risk is the risk that Transport Service will be unable to meet its payment obligations when they fall due. Transport Service continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets primarily in the form of cash at bank.

During the current and prior year, there were no defaults of loans payable and no assets have been pledged as collateral.

			Interest rate exposure			Maturity dates		
	Weighted average effective int. rate (%)	**Nominal amount**	**Fixed Interest Rate**	**Variable Interest Rate**	**Non-interest bearing**	**< 1 year**	**1 - 5 years**	**> 5 years**
		$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
2019 Payables:								
Accrued salaries, wages and on-costs	-	19,038	-	-	19,038	19,038	-	-
Other creditors	-	5	-	-	5	5	-	-
Payables	**-**	**19,043**	**-**	**-**	**19,043**	**19,043**	**-**	**-**
Total	**-**	**19,043**	**-**	**-**	**19,043**	**19,043**	**-**	**-**
2018 Payables:								
Accrued salaries, wages and on-costs	-	23,156	-	-	23,156	23,156	-	-
Other creditors	-	107	-	-	107	107	-	-
Payables	**-**	**23,263**	**-**	**-**	**23,263**	**23,263**	**-**	**-**
Total	**-**	**23,263**	**-**	**-**	**23,263**	**23,263**	**-**	**-**

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The entity has no exposure to foreign currency risk and does not enter into commodity contracts.

9. Financial instruments (cont'd)

(f) Fair value compared to carrying amount

Financial instruments are recognised at amortised cost. The carrying value of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

10. Related party disclosures

(a) Key management personnel compensation

All of the entity's key management personnel compensation are borne by Transport for NSW.

(b) Transactions with government related entities during the financial year

All transactions and outstanding balances in these financial statements relate to the entity's function as provider of personnel services to Transport for NSW, Sydney Trains, NSW Trains, Sydney Metro, STA and RMS. Transport Service and these fellow entities are members of the Department of Transport consolidated entity group.

Long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW, RMS and all senior executives were assumed by the Crown; while the Pooled Fund held in trust the investment relating to the closed NSW public sector superannuation schemes.

(c) Transactions and outstanding balances with other related parties during the financial year

There were no transactions or outstanding balances with other related parties during the financial year (2018: no transactions or outstanding balances).

11. Contingent liabilities and contingent assets

Transport Service had no contingent liabilities or contingent assets at 30 June 2019 or 30 June 2018.

12. After balance date events

No events have occurred after the balance date that would have a material impact on the financial statements.

End of audited financial statements.

INDEPENDENT AUDITOR'S REPORT

Transport Service of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Transport Service of New South Wales (the Service), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Service as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the Service in accordance with the requirements of the:

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

The Service's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Service is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the Service's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

26 September 2019
SYDNEY

Sydney Ferries

Annual Financial Statements

for the year ended 30 June 2019

Table of contents

Pursuant to Sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I declare that, in my opinion:

1) The accompanying financial statements, exhibit a true and fair view of the financial position of Sydney Ferries as at 30 June 2019, 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.

E. Mildwater

Elizabeth Mildwater
Acting Chief Executive

30 September 2019

Sydney Ferries
Statement of comprehensive income
for the year ended 30 June 2019

	Notes	2019 Actual $'000	2018 Actual $'000
Expenses excluding losses			
Operating expenses			
Other operating expenses	2(a)	3,413	804
Depreciation and amortisation	2(b)	12,043	14,562
Total expenses excluding losses		**15,456**	**15,366**
Revenue			
Operational revenue	3(a)	6,352	6,224
Investment revenue	3(b)	586	566
Grants and contributions	3(c)	3,984	-
Other revenue	3(d)	6,332	5,196
Total revenue		**17,254**	**11,986**
Other gains/(losses)	4	(16,510)	(6,272)
Net result		**(14,712)**	**(9,652)**
Total other comprehensive income		**-**	**-**
Total comprehensive income		**(14,712)**	**(9,652)**

The accompanying notes form part of these financial statements.

Sydney Ferries
Statement of financial position
as at 30 June 2019

	Notes	Actual 2019 $'000	Actual 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	45,186	37,754
Receivables	6	734	15
Total current assets		**45,920**	**37,769**
Non-current assets			
Property, plant and equipment	7	84,457	103,203
Intangible assets	8	23,835	26,888
Total non-current assets		**108,292**	**130,091**
Total assets		**154,212**	**167,860**
LIABILITIES			
Current liabilities			
Payables	10	1,780	246
Other liabilities	11	2,657	3,127
Total current liabilities		**4,437**	**3,373**
Total liabilities		**4,437**	**3,373**
Net assets		**149,775**	**164,487**
EQUITY			
Accumulated funds		143,648	158,360
Reserves		6,127	6,127
Total equity		**149,775**	**164,487**

The accompanying notes form part of these financial statements.

Sydney Ferries
Statement of changes in equity
for the year ended 30 June 2019

	Accumulated funds $ '000	Asset revaluation surplus $ '000	Total equity $ '000
Balance at 1 July 2018	**158,360**	**6,127**	**164,487**
Net result for the year	**(14,712)**	**-**	**(14,712)**
Total comprehensive income for the year	**(14,712)**	**-**	**(14,712)**
Balance at 30 June 2019	**143,648**	**6,127**	**149,775**
Balance at 1 July 2017	**168,012**	**6,127**	**174,139**
Net result for the year	**(9,652)**	**-**	**(9,652)**
Total comprehensive income for the year	**(9,652)**	**-**	**(9,652)**
Balance at 30 June 2018	**158,360**	**6,127**	**164,487**

The accompanying notes form part of these financial statements.

Sydney Ferries
Statement of cash flows
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Actual 2018 $'000
Cash flows from operating activities			
Payments			
Payments to former employees		(470)	(349)
Payments to suppliers		(2,651)	(1,789)
Total payments		**(3,121)**	**(2,138)**
Receipts			
Operational revenue		6,405	8,668
Interest received		586	743
Grants and contributions		3,984	-
Total receipts		**10,975**	**9,411**
Net cash flows from operating activities	15	**7,854**	**7,273**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(422)	(16,515)
Net cash flows from investing activities		**(422)**	**(16,515)**
Net (decrease)/increase in cash		**7,432**	**(9,242)**
Opening cash and cash equivalents		37,754	46,996
Closing cash and cash equivalents	5	**45,186**	**37,754**

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

Sydney Ferries is a statutory corporation established by the *Transport Administration Act 1988*. Sydney Ferries is a "statutory authority" for the purposes of the *Public Finance and Audit Act 1983* and is a controlled entity of Transport for NSW.

Transport for NSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector (ultimate parent).

Sydney Ferries was initially established to deliver public ferry services in Sydney. On 3 May 2012 the Minister for Transport announced that Harbour City Ferries (HCF) was awarded a contract to operate ferry services on Port Jackson and the Parramatta River for seven years under a new Ferry System Contract between HCF and Transport for NSW. The contract commenced on 28 July 2012. Since 28 July 2012, HCF leases the vessels, land and buildings from Sydney Ferries. On 27 February 2019, the Minister for Transport and Infrastructure announced that Transdev (formerly operating as Harbour City Ferries) was awarded the contract to continue operating ferry services in Sydney from 28 July 2019 (refer note 18 for further details).

RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE). TAHE may eventually hold additional public transport assets for the State, including ferry vessel assets currently held by Sydney Ferries. The transfer of assets is intended to occur progressively over the next couple of years.

The financial statements were authorised for issue by the Acting Chief Executive on the date on which the accompanying Statement by the Chief Executive was signed.

(b) Basis of preparation

The financial statements of Sydney Ferries have been prepared as general purpose financial statements on an accrual basis in accordance with:

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

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

(c) Statement of compliance

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

(d) Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment and intangible assets, which are measured at fair value.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognised in the period in which the estimate is revised and in any future periods affected.

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

(e) Use of estimates and judgements (cont'd)

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

(i) Critical judgements in applying the accounting policies:

Determination of for-profit or not-for-profit
Sydney Ferries is a not-for-profit entity as profit is not its principal objective.

Going concern
The financial statements have been prepared on a going concern basis which assumes that payment of liabilities will be met, as and when they fall due, without any intention or necessity to liquidate assets or otherwise wind up operations.

(f) Taxes

(i) Accounting for Goods and Services Tax (GST)

In relation to GST, revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by Sydney Ferries as a purchaser is not recoverable from the Australian Taxation Office. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

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

(ii) Income Tax

NSW Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime for Government Businesses (Treasury Policy Paper 03-4). Accordingly, tax effect accounting is not prepared.

(iii) State taxes

Sydney Ferries is exempt from land tax.

(g) Comparatives

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

(h) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being Sydney Ferries' operational cycle. In the case of liabilities where Sydney Ferries does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

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

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

(i) Effective for the first time in 2019

The entity has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

The entity applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The adoption of AASB 9 had no significant impact on the entity's financial statements.

All other accounting policies applied in 2019 are consistent with those of the previous financial year.

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

Australian Accounting Standards and Interpretations that have been issued or revised but are not yet effective have not been early adopted in accordance with Treasury mandated policy. Sydney Ferries is currently undertaking a detailed assessment of the impact of the following standards:

- AASB 16 *Leases* (AASB 16) is effective from reporting periods commencing on or after 1 January 2019.

  For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance. Existing finance leases are not expected to be significantly impacted from the transition to AASB 16.

  Sydney Ferries will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. Sydney Ferries will also adopt the practical expedient whereby the fair value of the right-of use asset will be the same as the lease liability at 1 July 2019.

  Based on the impact assessments Sydney Ferries has undertaken on currently available information, Sydney Ferries estimates additional lease liabilities of $0.6 million and right-of-use assets of $0.6 million will be recognised as at 1 July 2019 for leases in which Sydney Ferries is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the statement of comprehensive income is expected to be $0.02 million.

- AASB 15 *Revenue from Contracts with Customers*, AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* and AASB 1058 *Income of Not-for-Profits*

  AASB 15 *Revenue from Contracts with Customers* (AASB 15) is effective for reporting periods commencing on or after 1 January. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which Sydney Ferries expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 *Revenue* (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

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

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

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

- AASB 1058 *Income of Not-for-profit Entities* is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the exiting requirements in AASB 1004 *Contributions* (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, Sydney Ferries will need to determine whether a transaction is consideration received below fair value principally to enable Sydney Ferries to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).
- The standards will result in the identification of separate performance obligations that will change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies. The adoption of these standards will primarily result in the recognition of increased liabilities reported on the Statement of Financial Position, predominately consisting of contract liabilities.
- Under AASB 1058, Sydney Ferries will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by Sydney Ferries.
- Sydney Ferries will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.
- Based on the impact assessments Sydney Ferries has undertaken on currently available information, Sydney Ferries estimates that the adoption of AASB 15 and AASB 1058 will result in the deferral of revenue and recognition of contractual liabilities and capital grant obligations (unearned revenue) of $3.4 million, with a corresponding decrease in accumulated funds of $3.4 million.
- All other standards and interpretations that were issued but not yet effective are not expected to have a material financial impact.

2. Expenses excluding losses

(a) Other operating expenses

	2019 $'000	2018 $'000
Auditor's remuneration - audit of financial statements	42	41
Consultants and other contractors*	2,702	-
General expenses	17	26
Land and buildings remediation	212	-
Professional services	14	28
Maintenance	278	417
Operating lease rental expense	72	74
Administration	76	218
Other operating expenses	**3,413**	**804**

* Consultants and other contractors relates to costs incurred in connection with the competitive tender to operate ferry services in Sydney (refer note 18 for further details)

2. Expenses excluding losses (cont'd)

(b) Depreciation and amortisation

	Notes	2019 $'000	2018 $'000
Buildings		399	399
Ferries		10,412	10,838
Plant and equipment		184	184
Depreciation	7	**10,995**	**11,421**
Computer software		1,048	3,141
Amortisation	8	**1,048**	**3,141**
Depreciation and amortisation		**12,043**	**14,562**

Recognition and measurement (cont'd)

(i) Leases

A distinction is made between finance leases (which effectively transfers from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets), and operating leases (under which the lessor does not transfer substantially all the risks and rewards). 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.

Operating lease payments are recognised as an operating expense in the Statement of comprehensive income in the periods in which they are incurred.

(ii) Insurance

Sydney Ferries is a member of the Treasury Managed Fund. Coverage includes, but is not limited to: (a) legal liability inclusive of public liability, professional indemnity, directors & officers and product liability; and (b) personal accident for voluntary workers.

Harbour City Ferries has appropriate insurance to cover public liability, physical damage, business interruption, and other exposures arising out of normal business operations.

(iii) Repairs and maintenance

The cost of routine maintenance and repairs are expensed as incurred, except where they relate to the replacement of a component of an asset that increases the service potential of the asset, in which case the cost is capitalised and depreciated.

3. Revenue

(a) Operational revenue

	2019 $'000	2018 $'000
Ferry lease revenue	6,352	6,224
Operational revenue	**6,352**	**6,224**

3. Revenue (cont'd)

(b) Investment revenue

	2019 $'000	2018 $'000
Interest income	586	566
Investment revenue	**586**	**566**

(c) Grants and Contributions

	2019 $'000	2018 $'000
Grants from Transport for NSW	3,984	-
Grants and contributions	**3,984**	**-**

(d) Other revenue

	2019 $'000	2018 $'000
Major periodic maintenance revenue	6,332	5,196
Other revenue	**6,332**	**5,196**

Recognition and measurement

Revenue is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Revenue is not recognised unless receipt is probable and the amount is reliably measureable. Revenue is recognised on major income categories as follows:

(i) Grants

Income from grants is recognised when all of the following conditions are satisfied:

- Sydney Ferries 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 Sydney Ferries, 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.

Sydney Ferries is deemed to have assumed control when the grant is 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 income

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

(iv) Major periodic maintenance (MPM) revenue

MPM revenue is recognised in line with MPM work undertaken by the Ferry Services Contractor, Harbour City Ferries, on Sydney Ferries vessels.

4. Other gains/(losses)

	Notes	2019 $'000	2018 $'000
Impairment losses on ferries assets	7	(14,505)	
Revaluation decrement on ferries assets	7		(5,056)
Impairment reversals/(losses) on right to receive assets	8	(2,005)	(1,216)
Other gains/(losses)		**(16,510)**	**(6,272)**

5. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	45,186	37,754
Cash and cash equivalents	**45,186**	**37,754**

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial year to the Statement of cash flows as follows:

	2019 $'000	2018 $'000
Cash and cash equivalents (per Statement of financial position)	45,186	37,754
Closing cash and cash equivalents (per Statement of cash flows)	**45,186**	**37,754**

Recognition and measurement

Cash is carried at its principal amount and is subject to an insignificant risk of changes in value. Cash includes cash on hand and at bank.

6. Receivables

	2019 $'000	2018 $'000
Trade debtors	582	-
Goods and Services Tax recoverable	152	15
Current receivables	**734**	**15**

Recognition and measurement

(i) Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement under AASB 9 (from 1 July 2018)

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

6. Receivables (cont'd)

Recognition and measurement (cont'd)

(i) Receivables (cont'd)

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

(ii) Impairment of financial assets

Impairment under AASB 9 (from 1 July 2018)

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

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

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The entity first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

7. Property, plant and equipment

(a) Classes

	Land and buildings $ '000	Plant and equipment $ '000	Ferries $ '000	Assets under construction $ '000	Total ferries $ '000	Total property, plant and equipment $ '000
At 30 June 2019						
At fair value – Gross carrying amount	20,159	5,508	295,170	137	295,307	320,974
Accumulated depreciation and impairment	(11,612)	(1,189)	(223,716)	-	(223,716)	(236,517)
Net carrying amount	**8,547**	**4,319**	**71,454**	**137**	**71,591**	**84,457**
At 30 June 2018						
At fair value – Gross carrying amount	20,160	13,720	288,220	2,225	290,445	324,325
Accumulated depreciation and impairment	(11,214)	(9,217)	(200,691)	-	(200,691)	(221,122)
Net carrying amount	**8,946**	**4,503**	**87,529**	**2,225**	**89,754**	**103,203**

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:

At 30 June 2019	**Notes**	**Land and buildings $ '000**	**Plant and equipment $ '000**	**Ferries $ '000**	**Assets under construction $ '000**	**Total ferries $ '000**	**Total property, plant and equipment $ '000**
Net carrying amount at start of year		**8,946**	**4,503**	**87,529**	**2,225**	**89,754**	**103,203**
Additions		-	-	-	422	422	422
Major periodic maintenance additions		-	-	6,196	136	6,332	6,332
Reclassification between PPE classes		-	-	755	(755)	-	-
Impairment losses on ferries assets		-	-	(12,614)	(1,891)	(14,505)	(14,505)
Depreciation expense		(399)	(184)	(10,412)	-	(10,412)	(10,995)
Net carrying amount at 30 June		**8,547**	**4,319**	**71,454**	**137**	**71,591**	**84,457**

At 30 June 2018	**Notes**	**Land and buildings $ '000**	**Plant and equipment $ '000**	**Ferries $ '000**	**Assets under construction $ '000**	**Total ferries $ '000**	**Total property, plant and equipment $ '000**
Net carrying amount at start of year		**9,345**	**4,687**	**65,297**	**24,262**	**89,559**	**103,591**
Additions		-	-	-	10,893	10,893	10,893
Major periodic maintenance additions		-	-	5,024	172	5,196	5,196
Reclassification between PPE classes		-	-	33,102	(33,102)	-	-
Revaluation increment/(decrement) recognised in net result	4	-	-	(5,056)	-	(5,056)	(5,056)
Depreciation expense	2(b)	(399)	(184)	(10,838)	-	(10,838)	(11,421)
Net carrying amount at 30 June		**8,946**	**4,503**	**87,529**	**2,225**	**89,754**	**103,203**

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

(b) Reconciliation of property, plant and equipment (cont'd)

Estimates:

Management has estimated expected usage and assessed the assets for impairment.

Valuations:

(a) Property, plant and equipment were revalued in accordance with the basis of valuation set out below.
(b) The following non-current assets were independently valued by registered valuers:

Class of assets	Date of valuation	Registered valuers
Land and buildings	30-Jun-17	Rodney Hyman Asset Services Pty. Ltd.
Ferries	30-Jun-18	Rodney Hyman Asset Services Pty. Ltd.

Recognition and measurement

(i) Acquisition of assets and capitalisation threshold

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Sydney Ferries. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash equivalent. The deferred payment amount is effectively discounted at an asset-specific rate.

Property, plant and equipment costing $5,000 or more individually and having a minimum expected useful life of one year or more is capitalised.

Major spares purchased specifically for particular assets or class of assets are, at the time of acquisition, included in the cost of the assets and depreciated accordingly.

(ii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the *'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper* (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. Refer to Note 9 for further information regarding fair value.

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

Recognition and measurement (cont'd)

(ii) Revaluation of property, plant and equipment (cont'd)

Sydney Ferries revalue land and buildings at least once every three years and each other class of property, plant and equipment at least five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last comprehensive revaluation of ferries was completed on 30 June 2018; comprehensive revaluations of freehold land, buildings and improvements were undertaken on 30 June 2017.

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ materially from carrying value. Generally, an interim revaluation is performed by management if the cumulative changes in indicators/indices are less than 20%. An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 20%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20%.

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

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

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

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

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

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

The depreciated replacement cost is used to revalue specialised buildings (designed for specific limited purposes), infrastructure systems and certain plant and equipment. Depreciated replacement cost for these types of assets is based on "incremental optimised replacement cost". Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components.

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.

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

Recognition and measurement (cont'd)

(ii) Revaluation of property, plant and equipment (cont'd)

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated. The accumulated depreciation is restated proportionately with the change in the gross carrying amount so that the carrying amount of the asset after revaluation equals its revalued amount. In all other cases the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset.

(iii) Work in progress

Costs relating to property, plant and equipment that are under construction, or are otherwise incomplete, are shown in the statement of financial position as work in progress and are not depreciated until the assets are brought into service.

(iv) Impairment of property, plant and equipment

In respect of a not-for-profit entity, value in use is the depreciated replacement cost. Hence an impairment loss is unlikely to arise on any of Sydney Ferries' assets because the carrying amount (usually optimised replacement cost) is unlikely to exceed the recoverable amount. For vessels (which are specialised assets) held for sale, an impairment loss would arise when they are valued at market value and not disposed of in the same financial year.

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

(v) Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to Sydney Ferries. Property, plant and equipment, excluding freehold land and work in progress, are depreciated over their estimated useful lives as follows:

Asset Class	Life	Method
Freehold buildings	40 Yrs	Straight Line
Plant and equipment	3 to 30 Yrs	Straight Line
Ferries	20 to 40 Yrs	Straight Line

(vi) Dry docking

As part of the long-term maintenance program for the fleet, all vessels undergo a major refit (dry docking) on a regular basis (at least every 5 years). The cost of these dockings are capitalised and depreciated over the period to the subsequent docking or until the next revaluation date (whichever comes sooner).

8. Intangible assets

	2019 $'000	2018 $'000
Plant and equipment	3,700	4,067
Intangibles	179	832
Leasehold improvements	10,670	11,489
Inventory (including fuel)	9,286	9,452
Right to receive assets	**23,835**	**25,840**
Computer software	**-**	**1,048**
Total intangible assets	**23,835**	**26,888**

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 assets $ '000	Computer software $ '000	Total $ '000
Cost (gross carrying amount)	34,106	15,664	49,770
Accumulated amortisation and impairment	(10,271)	(15,664)	(25,935)
Net carrying amount at 30 June 2019	**23,835**	**-**	**23,835**
Cost (gross carrying amount)	34,106	15,664	49,770
Accumulated amortisation and impairment	(8,266)	(14,616)	(22,882)
Net carrying amount at 30 June 2018	**25,840**	**1,048**	**26,888**

Reconciliation

	Notes	Right to receive assets $ '000	Computer software $ '000	Total $ '000
Net carrying amount at start of year		25,840	1,048	**26,888**
Impairment reversals/(losses)	4	(2,005)	-	**(2,005)**
Amortisation	2(b)	-	(1,048)	**(1,048)**
Net carrying amount at 30 June 2019		**23,835**	**-**	**23,835**
Net carrying amount at start of year		27,056	4,189	**31,245**
Impairment reversals/(losses)	4	(1,216)	-	**(1,216)**
Amortisation	2(b)	-	(3,141)	**(3,141)**
Net carrying amount at 30 June 2018		**25,840**	**1,048**	**26,888**

Recognition and measurement

(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 of the value of the right to receive assets as at 30 June each year based on the amount and relevant values of fuel and of each inventory item at the reporting date. The advice from HCF is used for the purpose of assessing impairment to the right to receive assets as at 30 June each year.

8. Intangible assets (cont'd)

Recognition and measurement (cont'd)

(ii) Computer software

The Ferry Operations Customer Information System (FOCIS) is recognised as computer software and amortised over its useful life of 5 years.

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 2019.

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Property, plant and equipment $'000
Land and buildings	7	-	-	8,547	8,547
Ferries	7	-	-	71,454	71,454
Property, plant and equipment		**-**	**-**	**80,001**	**80,001**

30 June 2018

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Property, plant and equipment $'000
Land and buildings	7	-	-	8,946	8,946
Ferries	7	-	-	87,529	87,529
Property, plant and equipment		**-**	**-**	**96,475**	**96,475**

Recognition and measurement

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

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

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

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

Refer to Note 16 for disclosures regarding fair value measurements of financial assets.

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

(b) Valuation processes

Sydney Ferries obtains independent valuations for its land and building assets at least every 3 years and for its other non-financial assets at least every 5 years.

Sydney Ferries engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of land and buildings was conducted by Rodney Hyman Asset Services Pty Ltd (RHAS) for 30 June 2017. A comprehensive valuation of ferries was conducted by RHAS at 30 June 2018, using an optimised replacement cost approach.

(c) Valuation techniques and input

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

- current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences
- depreciated replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits
- construction costs incurred by the entity
- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions

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

The main level 2 and level 3 inputs used by the valuers for property, plant and equipment are as follows:

- Land – rate per square metre of land area is determined by the external valuer based on the most comparable land sales evidence applicable for each property, adjusted for the specific attributes of the subject land. The external valuer assumed a hypothetical 'R1 – General Residential' zoning for the subject landholding consistent with surrounding properties when making comparison to the sales evidence less an appropriate adjustment factor in the range of 80% - 90% to account for the unique and restrictive planning provisions associated with the subject site.
- Building – replacement cost of buildings and site improvements have been determined with reference to Rawlinsons Australian Construction Handbook and other industry cost publications. Depreciation rates adopted take into account both property specific (e.g. age, condition of improvements) and market specific (e.g. depth of buyer demand) factors based on an analysis of available sales evidence.
- Vessels – optimised replacement cost, including delivery and professional fees were estimated by RHAS valuers based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the above criteria. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.

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

(d) Reconciliation of recurring Level 3 fair value measurements

	Land and buildings	Ferries	Total
	$ '000	$ '000	$ '000
Fair value at start of year	8,946	87,529	**96,476**
Additions	-	6,951	**6,951**
Impairment losses on ferries assets	-	(12,614)	**(12,614)**
Depreciation	(399)	(10,412)	**(10,812)**
Fair value as at 30 June 2019	**8,547**	**71,454**	**80,001**
Fair value at start of year	9,345	65,297	**74,642**
Additions	-	38,126	**38,126**
Revaluation increment/(decrement) recognised in net result	-	(5,056)	**(5,056)**
Depreciation	(399)	(10,838)	**(11,237)**
Fair value as at 30 June 2018	**8,946**	**87,529**	**96,475**

10. Payables

	2019	2018
	$'000	$'000
Trade creditors	65	43
Accrued expenses	1,662	151
Other creditors	53	52
Current payables	**1,780**	**246**

Recognition and measurement

Payables represent liabilities for goods and services provided to the entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

11. Other liabilities

	2019	2018
	$'000	$'000
Liability for former employees' leave entitlements	2,657	3,127
Current other liabilities	**2,657**	**3,127**

Recognition and measurement

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.

Liabilities for leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

12. Equity and reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of noncurrent assets. This accords with Sydney Ferries policy on the revaluation of property, plant and equipment as discussed in note 7. Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve).

(ii) Accumulated funds

The category “Accumulated funds” includes all current and prior period retained funds.

13. Commitments

	2019 $'000	2018 $'000
(a) Capital commitments		
Aggregate capital commitments for property, plant & equipment contracted for at reporting date and not provided for:		
Not later than one year	5,774	363
Later than one year	5,777	17
Total (including GST)	**11,551**	**380**
(b) Operating lease commitments		
Not later than one year	81	80
Later than one year	338	318
Later than five years	230	284
Total (including GST)	**649**	**682**
(c) Future non-cancellable operating lease rentals receivable		
Not later than one year	9,067	6,988
Later than one year	21,584	597
Later than five years	21,553	-
Total (including GST)	**52,204**	**7,585**

Operating lease commitments payable relate to maritime rent for the Balmain shipyard. Future non-cancellable operating lease rentals receivable relate to vessels, land and buildings leased to Transdev (formerly operating as Harbour City Ferries).

Net GST payable of $3.63 million (2018: $0.59 million) to the Australian Taxation Office is included above.

14. Contingent liabilities

Contingent liabilities represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is not remote.

Contractual and other claims against Sydney Ferries arise in the ordinary course of operations. The existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably. Sydney Ferries had no contingent liabilities as at 30 June 2019 and 30 June 2018.

15. Reconciliation of operating result to net cash from operating activities

(a) Reconciliation of operating result to net cash from operating activities

	2019 $'000	2018 $'000
Net cash inflows from operating activities	7,854	7,273
Depreciation and amortisation	(12,043)	(14,562)
Other non-cash items	6,332	5,196
Impairment reversals/(losses) on right to receive assets	(2,005)	(1,216)
Revaluation increment/(decrement) of assets	-	(5,056)
Impairment losses on ferries assets	(14,505)	-
(Decrease)/increase in receivables	719	(1,621)
(Increase)/decrease in payables and provisions	(1,534)	(15)
(Increase)/decrease in other liabilities	470	349
Reconciliation to net result	**(14,712)**	**(9,652)**

(b) Non-cash financing and investing activities

	2019 $'000	2018 $'000
Impairment losses on ferries assets	(14,505)	-
Major periodic maintenance work by HCF	6,332	5,196
Net revaluation increment recognised in net result	-	(5,056)
Non-cash investing activities	**(8,173)**	**140**
Non-cash financing and investing activities	**(8,173)**	**140**

16. 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

	Note	Category	Carrying amount 2019 $'000	Carrying amount 2018 $'000
Financial assets				
Class:				
Cash and cash equivalents	5	N/A	45,186	37,754
Receivables	6	Amortised cost	582	-
			45,768	**37,754**
Financial liabilities				
Class:				
Payables	10	Financial liabilities measured at amortised cost**	1,727	194
Other liabilities	11	Financial liabilities measured at amortised cost	2,657	3,127
			4,384	**3,321**

* Excludes statutory receivables and prepayments which are not within the scope of AASB 7.

**Excludes statutory payables and unearned revenue which are not within the scope of AASB 7.

The 2019 carrying amounts shown above are under AASB 9 (2018: the carrying amounts are under AASB 139).

Recognition and measurement

De-recognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the contractual rights to the cash flows from the financial assets expire; or if Sydney Ferries transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass through” arrangement; and either:

- substantially all the risks and rewards have been transferred; or
- the agency has not transferred substantially all the risks and rewards, but has transferred control.

When Sydney Ferries has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where Sydney Ferries has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Sydney Ferries continuing involvement in the asset.

A financial liability is de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

16. Financial instruments (cont'd)

(b) Credit risk

Credit risk arises when there is the possibility of Sydney Ferries' debtors defaulting on their contractual obligations, resulting in a financial loss to Sydney Ferries. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of Sydney Ferries, including cash and cash equivalents and receivables and authority deposits. No collateral is held by Sydney Ferries. Sydney Ferries has not granted any financial guarantees.

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

(i) Cash

Cash comprises cash on hand and bank balances within the NSW Treasury banking systems. The interest rate applied is the Reserve Bank of Australia target cash rate plus a margin of 0.85%.

(ii) Receivables

At the end of the reporting period there were no significant concentrations of credit risk. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. Sydney Ferries' maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the statement of financial position.

	Government $'000	Other $'000	Total $'000
2019			
Receivables	-	582	582
Total receivables	**-**	**582**	**582**
2018			
Receivables	-	-	-
Total receivables	**-**	**-**	**-**

At 30 June 2019, Sydney Ferries had trade debtors of $0.582 million (2018: Nil) that were neither past due nor impaired. There are no debtors whose terms have been re-negotiated.

(c) Liquidity risk

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

No assets have been pledged as collateral. Sydney Ferries' exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12 *Payments of Accounts*. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

16. Financial instruments (cont'd)

(c) Liquidity risk (cont'd)

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

(i) Maturity analysis and interest rate exposure of financial liabilities

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

			Interest rate exposure			Maturity dates		
	Weighted average effective int. rate (%)	Nominal amount	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
		$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
2019								
Trade creditors	-	65	-	-	65	65	-	-
Accrued expenses	-	1,662	-	-	1,662	1,662	-	-
Other liabilities	-	2,657	-	-	2,657	2,657	-	-
	-	**4,384**	**-**	**-**	**4,384**	**4,384**	**-**	**-**
2018								
Trade creditors	-	43	-	-	43	43	-	-
Accrued expenses	-	151	-	-	151	151	-	-
Other liabilities	-	3,127	-	-	3,127	3,127	-	-
	-	**3,321**	**-**	**-**	**3,321**	**3,321**	**-**	**-**

16. Financial instruments (cont'd)

(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 the interest rate is outlined in the information below. A reasonably possible change in the interest rate has been determined after taking into account the economic environment in which Sydney Ferries operates and the time frame for the assessment (that is, until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the end of the reporting period. The analysis is performed on the same basis as for 2018. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the value of the financial statements will fluctuate due to changes in market interest rates. Sydney Ferries exposure to interest rate risk is set out in the table below:

Sensitivity analysis

2019	**Carrying amount**	**-1%**		**+1%**	
		Net result	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	45,186	(452)	(452)	452	452

2018	**Carrying amount**	**-1%**		**+1%**	
		Net result	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	37,754	(378)	(378)	378	378

17. Related party disclosure

(a) Key management personnel compensation

The entity's key management personnel compensation are borne by Transport for NSW.

(b) Transactions with government related entities during the financial year

During the 2019 financial year, Sydney Ferries transacted with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Capital grants revenue received from Transport for NSW (parent entity)
- Payments (capital and operational expenditure) made to Transport for NSW
- Interest revenue earned from the Treasury Banking System
- Audit fee payments made to the Audit office of NSW

18. After balance date events

The current shipyard and vessel lease contract with HCF expires in July 2019. Transdev (formerly operating as Harbour City Ferries), was awarded the contract to continue operating Sydney ferry services in late February 2019 following a competitive tender process. The new contract is effective from 28 July 2019 with an initial contract term of nine years, and provides for additional passenger services. It also incorporates the replacement of much of the existing Sydney Ferries fleet. Where relevant, the financial impact of the new contract has been recognised in the 30 June 2019 financial statements.

No other events have occurred after the balance date that would have a material impact on the financial statements.

End of audited financial statements

INDEPENDENT AUDITOR'S REPORT

Sydney Ferries

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Ferries, which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of Sydney Ferries as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of Sydney Ferries in accordance with the requirements of the:

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Sydney Ferries' annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Chief Executive of Sydney Ferries is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Chief Executive.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Chief Executive is responsible for assessing Sydney Ferries' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where Sydney Ferries will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

1 October 2019
SYDNEY