

Transport for NSW 20  
Annual Report 21



Volume 2

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

### **Overview**

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

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

### **Accessibility**

If you experience difficulty accessing this content, please contact Sonia Brodie, Director Financial Reporting on tel: 02 8202 3749 or at [Sonia.Brodie@transport.nsw.gov.au](mailto:Sonia.Brodie@transport.nsw.gov.au).



# **Department of Transport**

Consolidated Annual Financial Statements

for the year ended 30 June 2021

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## Department of Transport Statement by the Secretary

for the year ended 30 June 2021

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

1. The accompanying financial statements present fairly the financial position of the Department of Transport and the consolidated entity as at 30 June 2021, and the financial performance and cash flows for the year ended on that date.
2. The financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and NSW Treasurer's Directions.



Rob Sharp  
**Secretary**

Date: 18 October 2021

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

for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$'000	Consolidated Restated 2020 \$'000	Parent Actual 2021 \$'000	Parent Actual 2020 \$'000
<b>Expenses excluding losses</b>					
Operating expenses					
Employee related expenses	2(a)	3,214,639	3,130,988	990	716
Other operating expenses	2(b)	3,540,293	3,334,410	266	264
Major rail project expense	2(d)	2,588,448	-	-	-
Depreciation and amortisation	2(e)	3,309,704	4,342,628	-	-
Grants and subsidies	2(f)	2,268,243	1,347,823	-	-
Finance costs	2(g)	375,409	468,451	-	-
Other expenses	2(h)	1,494,121	1,360,647	-	-
<b>Total expenses excluding losses</b>		<b>16,790,857</b>	<b>13,984,947</b>	<b>1,256</b>	<b>980</b>
<b>Revenue</b>					
Appropriation	3(a)	17,928,727	13,985,459	-	-
Sale of goods and services from contracts with customers	3(b)	1,421,630	1,871,119	-	-
Investment revenue	3(c)	119,047	199,207	-	-
Retained taxes, fees and fines	3(d)	32,617	44,633	-	-
Grants and contributions	3(e)	2,909,522	3,164,915	266	264
Acceptance by the Crown of employee benefits and other liabilities	3(f)	41,460	80,935	12	67
Major rail project revenue	3(g)	2,588,448	-	-	-
Personnel service revenue	3(h)	-	-	978	649
Other revenue	3(i)	524,167	414,232	-	-
<b>Total revenue</b>		<b>25,565,618</b>	<b>19,760,500</b>	<b>1,256</b>	<b>980</b>
Gain/(loss) on disposal	4	11,832	(199,610)	-	-
Other gains/(losses)	5	(250,679)	(136,604)	-	-
Impairment reversal/(loss) on financial assets	8	(7)	(8,189)	-	-
<b>Net result</b>		<b>8,535,907</b>	<b>5,431,150</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to net result</i>					
Net gains/(losses) in commodity swaps and foreign exchange		7,939	(13,700)	-	-
<i>Items that will not be reclassified to net result</i>					
Net increase/(decrease) in asset revaluation surplus	14	667,800	4,492,311	-	-
Remeasurement of defined benefit superannuation schemes	20	117,994	(7,315)	-	-
<b>Total comprehensive income</b>		<b>9,329,640</b>	<b>9,902,446</b>	<b>-</b>	<b>-</b>

The 2020 comparative figures have been restated to reflect the adoption of AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059), refer to Note 1(i) for more details.

The accompanying Notes form part of these financial statements.

**Department of Transport**  
**Statement of financial position**

for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$'000	Consolidated Restated 2020 \$'000	Consolidated Restated 1 July 2019 \$'000	Parent Actual 2021 \$'000	Parent Actual 2020 \$'000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	7	4,744,963	2,526,218	2,700,913	228	460
Receivables	8	1,570,544	947,195	1,163,961	30	26
Inventories	10	32,969	33,187	32,562	-	-
Financial assets at fair value	11	136,392	120,620	123,142	-	-
Non-current assets held for sale	12	36,200	55,305	31,472	-	-
Other financial assets	13	7,755	3,963	100,000	-	-
<b>Total current assets</b>		<b>6,528,823</b>	<b>3,686,488</b>	<b>4,152,050</b>	<b>258</b>	<b>486</b>
<b>Non-current assets</b>						
Receivables	8	1,384,039	1,159,040	743,279	-	-
Inventories	10	33,537	32,702	35,694	-	-
Financial assets at fair value	11	602	155	19,256	-	-
Other financial assets	13	279,799	256,027	237,226	-	-
Property plant & equipment						
Land and buildings	14	5,742,595	4,795,045	4,541,492	-	-
Plant and equipment	14	3,052,962	6,094,588	5,284,042	-	-
Infrastructure systems	14	152,567,001	179,666,666	167,906,725	-	-
Property, plant and equipment	14	161,362,558	190,556,299	177,732,259	-	-
Right of use assets	15	3,629,379	3,797,051	3,370,666	-	-
Intangible assets	16	1,099,422	1,493,424	1,484,928	-	-
<b>Total non-current assets</b>		<b>167,789,336</b>	<b>197,294,698</b>	<b>183,623,308</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>174,318,159</b>	<b>200,981,186</b>	<b>187,775,358</b>	<b>258</b>	<b>486</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	18	4,505,859	2,318,473	2,750,896	245	259
Contract liabilities	9	251,996	225,696	285,638	-	-
Borrowings	19	2,172,546	1,911,715	1,575,188	-	-
Employee benefits	20	963,964	890,217	801,142	13	227
Other provisions	21	89,683	153,036	72,959	-	-
Other liabilities	22	860,821	967,999	654,027	-	-
<b>Total current liabilities</b>		<b>8,844,869</b>	<b>6,467,136</b>	<b>6,139,850</b>	<b>258</b>	<b>486</b>
<b>Non-current liabilities</b>						
Payables	18	354,684	181,311	-	-	-
Contract liabilities	9	97,253	77,839	-	-	-
Borrowings	19	7,104,308	10,790,134	10,690,810	-	-
Employee benefits	20	988,472	1,342,604	1,334,576	-	-
Other provisions	21	59,041	58,762	100,164	-	-
Other liabilities	22	16,803,889	14,528,658	13,904,529	-	-
<b>Total non-current liabilities</b>		<b>25,407,647</b>	<b>26,979,308</b>	<b>26,030,079</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>34,252,516</b>	<b>33,446,444</b>	<b>32,169,929</b>	<b>258</b>	<b>486</b>
<b>Net assets</b>		<b>140,065,643</b>	<b>167,534,742</b>	<b>155,605,429</b>	<b>-</b>	<b>-</b>
<b>EQUITY</b>						
Accumulated funds		113,547,900	121,842,717	115,238,174	-	-
Reserves		26,517,743	37,146,424	33,739,658	-	-
Contributed capital		-	8,545,601	6,627,597	-	-
<b>Total equity</b>		<b>140,065,643</b>	<b>167,534,742</b>	<b>155,605,429</b>	<b>-</b>	<b>-</b>

The retrospective application of AASB 1059 has a material effect on the information presented in the balance sheet at the beginning of the preceding period, therefore the consolidated entity is presenting a third balance sheet as at 1 July 2019. Furthermore, 2020 comparatives have been restated to reflect the adoption of AASB 1059. Refer to Note 1(i) for further details. The accompanying Notes form part of these financial statements.

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

for the year ended 30 June 2021

<b>Consolidated</b>	<b>Notes</b>	<b>Accumulated funds \$ '000</b>	<b>Asset revaluation surplus \$ '000</b>	<b>Other reserves \$ '000</b>	<b>Contributed capital \$ '000</b>	<b>Total equity \$ '000</b>
<b>Restated balance at 1 July 2020</b>		<b>121,842,717</b>	<b>37,143,538</b>	<b>2,886</b>	<b>8,545,601</b>	<b>167,534,742</b>
<b>Net result for the year</b>		<b>8,535,907</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,535,907</b>
<b>Other comprehensive income</b>						
Net gains/(losses) in commodity swaps and foreign exchange		-	-	7,939	-	7,939
Net increase/(decrease) in asset revaluation surplus	14	-	667,800	-	-	667,800
Remeasurement of defined benefit superannuation schemes		117,994	-	-	-	117,994
<b>Total other comprehensive income</b>		<b>117,994</b>	<b>667,800</b>	<b>7,939</b>	<b>-</b>	<b>793,733</b>
<b>Total comprehensive income for the year</b>		<b>8,653,901</b>	<b>667,800</b>	<b>7,939</b>	<b>-</b>	<b>9,329,640</b>
<b>Transactions with owners in their capacity as owners</b>						
Transfers to/from reserves to accumulated funds		11,304,420	(11,304,420)	-	-	-
Loss of control of Transport Asset Holding Entity of New South Wales (TAHE)	29(c)	(29,158,491)	-	-	(8,545,601)	(37,704,092)
Administrative restructures	29(b)	904,993	-	-	-	904,993
Equity transfers	29(a)	360	-	-	-	360
<b>Balance at 30 June 2021</b>		<b>113,547,900</b>	<b>26,506,918</b>	<b>10,825</b>	<b>-</b>	<b>140,065,643</b>
<b>Balance at 1 July 2019</b>		<b>115,699,009</b>	<b>34,143,188</b>	<b>16,586</b>	<b>6,627,597</b>	<b>156,486,380</b>
Restatement of infrastructure assets		65,513	(1,167,127)	-	-	(1,101,614)
Change in accounting policy – initial application of AASB 1059		(526,348)	747,011	-	-	220,663
<b>Restated balance at 1 July 2019</b>		<b>115,238,174</b>	<b>33,723,072</b>	<b>16,586</b>	<b>6,627,597</b>	<b>155,605,429</b>
<b>Restated net result for the year</b>		<b>5,431,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,431,150</b>
<b>Other comprehensive income</b>						
Net gains/(losses) in commodity swaps and foreign exchange		-	-	(13,700)	-	(13,700)
Net increase/(decrease) in asset revaluation surplus	14	-	4,492,311	-	-	4,492,311
Remeasurement of defined benefit superannuation schemes		(7,315)	-	-	-	(7,315)
<b>Total other comprehensive income</b>		<b>(7,315)</b>	<b>4,492,311</b>	<b>(13,700)</b>	<b>-</b>	<b>4,471,296</b>
<b>Restated total comprehensive income for the year</b>		<b>5,423,835</b>	<b>4,492,311</b>	<b>(13,700)</b>	<b>-</b>	<b>9,902,446</b>
<b>Transactions with owners in their capacity as owners</b>						
Transfers to/from reserves to accumulated funds		1,071,845	(1,071,845)	-	-	-
Equity transfers	29(a)	108,863	-	-	-	108,863
Capital contribution from NSW Treasury		-	-	-	1,918,004	1,918,004
<b>Restated balance at 30 June 2020</b>		<b>121,842,717</b>	<b>37,143,538</b>	<b>2,886</b>	<b>8,545,601</b>	<b>167,534,742</b>

The opening balances at 1 July 2019 and the 1 July 2020 are adjusted to reflect the adoption of AASB 1059 for service concession arrangements. Refer to Note 1(i) for further details.

The accompanying Notes form part of these financial statements.

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

for the year ended 30 June 2021

Parent	Notes	Accumulated funds \$ '000	Asset revaluation surplus \$ '000	Other reserves \$ '000	Total equity \$ '000
<b>Balance at 1 July</b>		-	-	-	-
<b>Net result for the year</b>		-	-	-	-
<b>Other comprehensive income</b>					
Net gains/(losses) in commodity swaps and foreign exchange		-	-	-	-
Net increase/(decrease) in asset revaluation surplus	14	-	-	-	-
Remeasurement of defined benefit superannuation schemes		-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-
<b>Transactions with owners in their capacity as owners</b>					
Transfers to/from reserves to accumulated funds		-	-	-	-
<b>Balance at 30 June</b>		-	-	-	-
<b>Balance at 1 July 2019</b>		-	-	-	-
<b>Net result for the year</b>		-	-	-	-
<b>Other comprehensive income</b>					
Net gains/(losses) in commodity swaps and foreign exchange		-	-	-	-
Net increase/(decrease) in asset revaluation surplus	14	-	-	-	-
Remeasurement of defined benefit superannuation schemes		-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-
<b>Transactions with owners in their capacity as owners</b>					
Transfers to/from reserves to accumulated funds		-	-	-	-
<b>Balance at 30 June 2020</b>		-	-	-	-

The accompanying Notes form part of these financial statements.

**Department of Transport**  
**Statement of cash flows**

for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$'000	Consolidated Restated 2020 \$'000	Parent Actual 2021 \$'000	Parent Actual 2020 \$'000
<b>Cash flows from operating activities</b>					
<b>Payments</b>					
Employee related		(3,088,268)	(2,950,996)	(1,199)	(634)
Grants and subsidies		(1,336,294)	(752,030)	-	-
Finance costs		(375,474)	(531,586)	-	-
Payments to suppliers		(7,385,091)	(5,710,777)	(277)	(279)
<b>Total payments</b>		<b>(12,185,127)</b>	<b>(9,945,389)</b>	<b>(1,476)</b>	<b>(913)</b>
<b>Receipts</b>					
Appropriation		17,928,727	13,985,459	-	-
Sale of goods and services		4,010,175	2,849,745	-	-
Retained taxes, fees and fines		32,617	44,633	-	-
Interest received		3,888	20,690	-	-
Grants and contributions		2,714,949	3,166,018	266	264
Personnel services		-	-	978	723
<b>Total receipts</b>		<b>24,690,356</b>	<b>20,066,545</b>	<b>1,244</b>	<b>987</b>
<b>Net cash flows from operating activities</b>	25	<b>12,505,229</b>	<b>10,121,156</b>	<b>(232)</b>	<b>74</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment, intangible assets and other assets		169,562	477,293	-	-
Purchases of property, plant and equipment, intangible assets and other assets		(9,309,955)	(12,318,329)	-	-
Proceeds/(purchase) of financial assets		12	117,430	-	-
Other		2,011	3,508	-	-
<b>Net cash flows from investing activities</b>		<b>(9,138,370)</b>	<b>(11,720,098)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings and advances		55,000	70,221	-	-
Repayment of borrowings and advances		(834,036)	(259,719)	-	-
Capital contribution from NSW Treasury		-	1,918,004	-	-
Payment of principal portion of lease liabilities		(362,931)	(304,259)	-	-
<b>Net cash flows from financing activities</b>		<b>(1,141,967)</b>	<b>1,424,247</b>	<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash</b>		<b>2,224,892</b>	<b>(174,695)</b>	<b>(232)</b>	<b>74</b>
Opening cash and cash equivalents		2,526,218	2,700,913	460	386
Cash and cash equivalents transferred (out)/in as a result of loss of control of TAHE	29(c)	(6,147)	-	-	-
<b>Closing cash and cash equivalents</b>	7	<b>4,744,963</b>	<b>2,526,218</b>	<b>228</b>	<b>460</b>

The accompanying Notes form part of these financial statements.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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### 1. Summary of significant accounting policies

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

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

Former Roads and Maritime Services (until 30 November 2019)

Sydney Ferries

State Transit Authority of NSW

Former Rail Corporation New South Wales (until 30 June 2020)

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 2020, the former Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to *the Transport Administration Act 1988 and the State Owned Corporations Act 1989*. TAHE is not a controlled entity of Transport for NSW or the Department of Transport. The impact of the transition to TAHE is discussed further in Note 29 Equity and reserves.

The Transport Administration Amendment (RMS Dissolution) Bill 2019 dissolved the former Roads and Maritime Services (RMS) on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred to Transport for NSW to be used, recovered or settled in the normal course of business by Transport for NSW. There was no impact on the financial statements of the consolidated entity as a result of this transaction.

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 2021 were authorised for issue by the Secretary on the date the accompanying statement was signed.

#### (b) Principles of consolidation

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

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

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

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

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

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

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

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

#### (d) Statement of compliance

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

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

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

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

#### (g) Comparative information

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



# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

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

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

Rail services	<ul style="list-style-type: none"><li>• Former Rail Corporation New South Wales (until 30 June 2020)</li><li>• Sydney Trains</li><li>• NSW Trains</li><li>• Transport for NSW manages light rail services</li><li>• Sydney Metro</li></ul>
Buses and related services	<ul style="list-style-type: none"><li>• State Transit Authority of NSW</li><li>• Transport for NSW manages bus transport services in the metropolitan, outer metropolitan and rural and regional areas of New South Wales</li></ul>
Road and maritime services	<ul style="list-style-type: none"><li>• Transport for NSW (from 1 December 2019)</li><li>• Former Road and Maritime Services (until 30 November 2019)</li></ul>
Ferry services	<ul style="list-style-type: none"><li>• Sydney Ferries</li><li>• Transport for NSW manages ferry services performed by private operators</li></ul>
Integrated transport services	<ul style="list-style-type: none"><li>• Department of Transport</li><li>• Transport for NSW</li><li>• Transport Service of New South Wales</li></ul>

Integrated transport services activity is responsible for:

- (a) policy formulation;
- (b) program and contract management;
- (c) passenger transport compliance and regulation;
- (d) transport project development; 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.

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

##### (i) Effective for the first time in 2021

The consolidated entity applied AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2021, but do not have a material impact on the financial statements of the consolidated entity.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

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

##### (i) Effective for the first time in 2021 (cont'd)

#### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)**

AASB 1059 is effective for the consolidated entity from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-8) was withdrawn effective from 1 July 2020.

Service Concession Arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

The consolidated entity has adopted the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application of 1 July 2019, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at that date.

The effect of adopting AASB 1059 is set out below.

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

for the year ended 30 June 2021

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

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

**(i) Effective for the first time in 2021 (cont'd)**

**Impact on the Statement of comprehensive income (increase/(decrease)) for the year ended 30 June 2020**

		30 Jun 2020 With adoption of AASB 1059 \$'000	30 Jun 2020 Without adoption of AASB 1059 \$'000	30 Jun 2020 Impact of AASB 1059 \$'000
	Notes			
<b>Expenses excluding losses</b>				
Operating expenses				
Employee related expenses	2(a)	3,130,988	3,130,988	-
Other operating expenses <sup>1</sup>	2(b)	3,334,410	3,389,139	(54,729)
Depreciation and amortisation <sup>1,II,IV,V</sup>	2(e)	4,342,628	3,889,045	453,583
Grants and subsidies	2(f)	1,347,823	1,347,823	-
Finance costs <sup>1,II,III</sup>	2(g)	468,451	494,968	(26,517)
Other expenses	2(h)	1,360,647	1,360,647	-
<b>Total expenses excluding losses</b>		<b>13,984,947</b>	<b>13,612,610</b>	<b>372,337</b>
<b>Revenue</b>				
Appropriation	3(a)	13,985,459	13,985,459	-
Sale of goods and services from contracts with customers <sup>II</sup>	3(b)	1,871,119	1,862,103	9,016
Investment revenue <sup>1</sup>	3(c)	199,207	199,720	(513)
Retained taxes, fees and fines	3(d)	44,633	44,633	-
Grants and contributions <sup>1</sup>	3(e)	3,164,915	3,162,080	2,835
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	80,935	80,935	-
Other revenue <sup>1,IV</sup>	3(i)	414,232	568,791	(154,559)
<b>Total revenue</b>		<b>19,760,500</b>	<b>19,903,721</b>	<b>(143,221)</b>
Gain/(loss) on disposal <sup>1</sup>	4	(199,610)	(199,507)	(103)
Other gains/(losses) <sup>1,III</sup>	5	(136,604)	(499,921)	363,317
Impairment losses on financial assets	8	(8,189)	(8,189)	-
<b>Net result</b>		<b>5,431,150</b>	<b>5,583,494</b>	<b>(152,344)</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to net result</i>				
Net gains/(losses) in commodity swaps and foreign exchange		(13,700)	(13,700)	-
<i>Items that will not be reclassified to net result</i>				
Net increase/(decrease) in asset revaluation surplus <sup>1,III,IV</sup>	14	4,492,311	4,371,979	120,332
Remeasurement of defined benefit superannuation schemes	20	(7,315)	(7,315)	-
<b>Total comprehensive income</b>		<b>9,902,446</b>	<b>9,934,458</b>	<b>(32,012)</b>

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

for the year ended 30 June 2021

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

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

**(i) Effective for the first time in 2021 (cont'd)**

**Impact on Statement of financial position (increase/(decrease)) as at 1 July 2019**

		<b>Consolidated</b> <b>1 July 2019</b> <b>With adoption of</b> <b>AASB 1059</b> <b>\$'000</b>	<b>Consolidated</b> <b>1 July 2019</b> <b>Without adoption of AASB</b> <b>1059</b> <b>\$'000</b>	<b>Consolidated</b> <b>1 July 2019</b> <b>Impact of AASB</b> <b>1059</b> <b>\$'000</b>
	<b>Notes</b>			
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	2,700,913	2,700,913	-
Receivables <sup>I</sup>	8	1,163,961	1,183,938	(19,977)
Inventories	10	32,562	32,562	-
Financial assets at fair value	11	123,142	123,142	-
Non-current assets held for sale	12	31,472	31,472	-
Other financial assets	13	100,000	100,000	-
<b>Total current assets</b>		<b>4,152,050</b>	<b>4,172,027</b>	<b>(19,977)</b>
<b>Non-current assets</b>				
Receivables <sup>I</sup>	8	743,279	2,718,005	(1,974,726)
Inventories	10	35,694	35,694	-
Financial assets at fair value	11	19,256	19,256	-
Other financial assets	13	237,226	237,226	-
Property plant & equipment				-
Land and buildings <sup>I,II,V,VI</sup>	14	4,541,492	4,385,523	155,969
Plant and equipment <sup>I,VI</sup>	14	5,284,042	5,278,194	5,848
Infrastructure systems <sup>I,III,IV</sup>	14	167,906,725	144,584,720	23,322,005
Property, plant and equipment	14	177,732,259	154,248,437	23,483,822
Right of use assets	15	3,370,666	3,370,666	-
Intangible assets <sup>V,VI</sup>	16	1,484,928	1,484,928	-
Other assets <sup>I,III,IV</sup>		-	3,479,730	(3,479,730)
<b>Total non-current assets</b>		<b>183,623,308</b>	<b>165,593,942</b>	<b>18,029,366</b>
<b>Total assets</b>		<b>187,775,358</b>	<b>169,765,969</b>	<b>18,009,389</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables <sup>VII</sup>	18	2,750,896	2,750,896	-
Contract liabilities	9	285,638	285,638	-
Borrowings <sup>I,II,III</sup>	19	1,575,188	865,873	709,315
Employee benefits	20	801,142	801,142	-
Other provisions	21	72,959	72,959	-
Other liabilities <sup>I,IV</sup>	22	654,027	362,447	291,580
<b>Total current liabilities</b>		<b>6,139,850</b>	<b>5,138,955</b>	<b>1,000,895</b>
<b>Non-current liabilities</b>				
Borrowings <sup>I,II,III</sup>	19	10,690,810	7,178,585	3,512,225
Employee benefits	20	1,334,576	1,334,576	-
Other provisions	21	100,164	100,164	-
Other liabilities <sup>I,IV</sup>	22	13,904,529	628,923	13,275,606
<b>Total non-current liabilities</b>		<b>26,030,079</b>	<b>9,242,248</b>	<b>16,787,831</b>
<b>Total liabilities</b>		<b>32,169,929</b>	<b>14,381,203</b>	<b>17,788,726</b>
<b>Net assets</b>		<b>155,605,429</b>	<b>155,384,766</b>	<b>220,663</b>
Accumulated funds <sup>I,III,IV</sup>		115,238,174	115,764,522	(526,348)
Reserves <sup>I</sup>		33,739,658	32,992,647	747,011
Contributed capital		6,627,597	6,627,597	-
<b>Total equity</b>		<b>155,605,429</b>	<b>155,384,766</b>	<b>220,663</b>

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

for the year ended 30 June 2021

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

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

(i) **Effective for the first time in 2021 (cont'd)**

**Impact on Statement of financial position (increase/(decrease)) as at 30 June 2020**

	Notes	Consolidated 30 Jun 2020 With adoption of AASB 1059 \$'000	Consolidated 30 Jun 2020 Without adoption of AASB 1059 \$'000	Consolidated 30 Jun 2020 Impact of AASB 1059 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	2,526,218	2,526,218	-
Receivables <sup>i,ii</sup>	8	947,195	999,857	(52,662)
Inventories	10	33,187	33,187	-
Financial assets at fair value	11	120,620	120,620	-
Non-current assets held for sale	12	55,305	55,305	-
Other financial assets	13	3,963	3,963	-
<b>Total current assets</b>		<b>3,686,488</b>	<b>3,739,150</b>	<b>(52,662)</b>
<b>Non-current assets</b>				
Receivables <sup>i</sup>	8	1,159,040	3,720,505	(2,561,465)
Inventories	10	32,702	32,702	-
Financial assets at fair value	11	155	155	-
Other financial assets	13	256,027	256,027	-
Property plant & equipment				
Land and buildings <sup>i,ii,v,vi</sup>	14	4,795,045	4,642,216	152,829
Plant and equipment <sup>i,vi,iv,vii</sup>	14	6,094,588	5,978,679	115,909
Infrastructure systems <sup>i,iii,iv,vii</sup>	14	179,666,666	157,220,783	22,445,883
Property, plant and equipment	14	190,556,299	167,841,678	22,714,621
Right of use assets <sup>ii,vi</sup>	15	3,797,051	3,806,457	(9,406)
Intangible assets <sup>vi</sup>	16	1,493,424	1,493,424	-
Other assets <sup>i,ii,iii,iv</sup>		-	3,042,374	(3,042,374)
<b>Total non-current assets</b>		<b>197,294,698</b>	<b>180,193,322</b>	<b>17,101,376</b>
<b>Total assets</b>		<b>200,981,186</b>	<b>183,932,472</b>	<b>17,048,714</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables <sup>i</sup>	18	2,318,473	2,323,944	(5,471)
Contract liabilities	9	225,696	225,696	-
Borrowings <sup>i,ii,iii</sup>	19	1,911,715	1,312,050	599,665
Employee benefits	20	890,217	890,217	-
Other provisions	21	153,036	153,036	-
Other liabilities <sup>i,iv</sup>	22	967,999	529,337	438,662
<b>Total current liabilities</b>		<b>6,467,136</b>	<b>5,434,280</b>	<b>1,032,856</b>
<b>Non-current liabilities</b>				
Payables <sup>vii</sup>	18	181,311	-	181,311
Contract liabilities	9	77,839	77,839	-
Borrowings <sup>i,ii,iii</sup>	19	10,790,134	9,019,485	1,770,649
Employee benefits	20	1,342,604	1,342,604	-
Other provisions	21	58,762	58,762	-
Other liabilities <sup>i,iv</sup>	22	14,528,658	653,410	13,875,248
<b>Total non-current liabilities</b>		<b>26,979,308</b>	<b>11,152,100</b>	<b>15,827,208</b>
<b>Total liabilities</b>		<b>33,446,444</b>	<b>16,586,380</b>	<b>16,860,064</b>
<b>Net assets</b>		<b>167,534,742</b>	<b>167,346,092</b>	<b>188,650</b>
<b>EQUITY</b>				
Accumulated funds <sup>i,iii</sup>		121,842,717	122,593,192	(750,475)
Reserves <sup>i,iii</sup>		37,146,424	36,207,299	939,125
Contributed capital		8,545,601	8,545,601	-
<b>Total equity</b>		<b>167,534,742</b>	<b>167,346,092</b>	<b>188,650</b>

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

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

##### (i) Effective for the first time in 2021 (cont'd)

The nature of the key adjustments shown in the tables above are as follows:

- I. The consolidated entity has a number of contracts with private operators to finance, design, construct, operate, maintain and repair toll roads in New South Wales. Toll road assets were previously classified as 'emerging interests in intangible private sector provided infrastructure (PSPI)' in accordance with TPP 06-8 and recognised within other assets and receivables in the Statement of financial position. On initial adoption of AASB 1059 at 1 July 2019 total assets increased by \$16,058.1 million, total liabilities increased by \$14,132.2 million resulting in a net asset increase of \$1,925.9 million that has been recognised as an increase in accumulated funds of \$1,178.9 million and reserves of \$747.0 million. The increase in total assets comprised property, plant and equipment (mainly infrastructure systems) \$20,391.4 million partly offset by a reduction in receivables (\$1,994.7 million) and other assets (\$2,338.6 million).
  - The net increase of \$20,391.5 million in property, plant and equipment also reflects the outcome of the comprehensive revaluation of toll road assets at 1 July 2019 to determine their current replacement cost (fair value) of toll roads as required by AASB 1059. Toll road assets were also revalued at 1 July 2020 resulting in a further increase of \$151.5 million in property, plant and equipment in the year ended 30 June 2020.
  - Further, existing receivables and other assets balances recognised under TPP 06-8 relating to toll roads were reclassified to service concession assets (within the relevant class of assets in property, plant and equipment) and re-measured to their current replacement cost.

A corresponding net increase in other liabilities of \$13,567.2 million and borrowings of \$565.0 million was recognised at 1 July 2019 in relation to the re-measurement of the above assets.

The net result for the year ended 30 June 2020 decreased by \$567.0 million reflecting the following:

- Total expenses increased by \$426.4 million mainly due to depreciation of \$444.9 million on toll roads from 1 July 2019; and
  - Total revenue decreased by \$140.6 million, primarily due to reversal of emerging asset revenue of \$441.1 million previously accounted for under TPP 06-8 within other revenue. This was offset by an increase of \$316.3 million in revenue related to unwinding of GORTO liability recognised as part of AASB 1059.
- II. The contract to provide light rail services in Sydney is a service concession arrangement. As at 1 July 2019, CBD and South East Light Rail construction was still in progress. Under pre-existing accounting standards, the work completed to date was recognised as a prepaid asset (other assets), excluding work done by the private contractor. On initial adoption of AASB 1059 at 1 July 2019, the consolidated entity was required to "gross up" the assets in relation to work in progress by recognising works completed by the private contractor. As a result, at 1 July 2019 the consolidated entity recognised \$2,907.7 million assets under construction within property, plant and equipment, derecognised prepaid assets of \$1,057.0 million within other assets and recognised a liability to the private contractor of \$2,709.2 million within borrowings. This resulted in a decrease in net assets of \$858.5 million and corresponding decrease in accumulated funds of \$858.5 million. The net result for the year ended 30 June 2020 decreased by \$21.2 million, which included recognition of additional finance costs of \$29.8 million.
  - III. The contracts relating to the design and construction of the Metro assets controlled by the consolidated entity and the operation and maintenance of the relevant Metro assets are a service concession arrangement. On initial adoption of AASB 1059 at 1 July 2019, additional financial liabilities of \$658.5 million were recognised within borrowings, with a corresponding decrease in accumulated funds of \$658.5 million. \$9,107.8 million of existing property, plant and equipment were reclassified as service concession assets. Further, for the year ended 30 June 2020 the net result increased by \$427.2 million due to a decrease in finance costs of \$63.8 million (as a result of use of the incremental borrowing rate in accordance with AASB 1059 as opposed to the interest rate implicit in the Public Private Partnership contract) and refinancing gains on borrowings of \$363.3 million within other gains/(losses) as a result of re-measurement of Northwest financial liability at fair value.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

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

##### (i) Effective for the first time in 2021 (cont'd)

- IV. The contract to build, operate and maintain 4 stations on the Airport Line until 2030 is a service concession arrangement. On initial adoption of AASB 1059 at 1 July 2019, the consolidated entity recognised a service concession asset in relation to the Airport Link stations of \$184.7 million at current replacement cost within property, plant and equipment, de-recognised emerging assets of (\$84.0 million) within other assets and recognised financial liability of \$288.9 million within borrowings to reflect the remaining concession period, resulting in a net asset decrease of \$188.2 million that has been recognised with a corresponding decrease in accumulated funds of \$188.3 million. Further, for the year ended 30 June 2020 the net result increased by \$12.3 million as a result of decrease in operating expenses of (\$35.8 million) partially offset by increase in depreciation expense of \$8.4 million and finance costs of \$6.9 million due to the recognition of service concession asset and reversal of emerging revenue of \$8.1 million previously accounted for under TPP 06-8 within other revenue.
- V. The consolidated entity has entered into agreements for the use of car spaces for public commuter car parking at B-Line car parks in Sydney that are service concession arrangements. The car parks are existing property, plant and equipment and right of use assets that have been reclassified as service concession assets (\$42.4 million at 1 July 2019). The property, plant and equipment and right of use assets were reclassified as service concession assets with no net impact on either the Statement of financial position or the Statement of comprehensive income on initial adoption of AASB 1059. The net result for the year ended 30 June 2020 decreased by \$0.3 million reflecting earlier commencement of depreciation under AASB 1059.
- VI. The contract for the operation of ferry services in Sydney is a service concession arrangement. The consolidated entity leases ferries from and provides access to existing owned assets to the private operator to provide ferry services to the public. The leased ferries and existing operating assets are considered service concession assets. The assets comprise existing property, plant and equipment, intangibles and right of use assets. On initial adoption of AASB 1059 at 1 July 2019, existing assets of \$108.3 million that the operator has the right to access to provide ferry services were reclassified as service concession assets with no impact on either the Statement of financial position or the Statement of comprehensive income on adoption of AASB 1059. In the year ended 30 June 2020, ferries that the consolidated entity leased from the operator were recognised as service concession assets \$18.2 million along with a corresponding financial liability of (\$18.2 million) within borrowings.
- VII. As a result of the revocation of TPP 06-8 the consolidated entity has recognised assets under construction within property, plant and equipment of \$181.3 million in relation to design and construction of a maintenance facility and fleet, with a corresponding liability of \$181.3 million within payables. The liability represents the cost by the private entity on the assets being constructed and will be built up in work in progress to the commissioning date before capitalisation and repayment is required.

The adoption of AASB 1059 did not have an impact on the Statement of cash flows.

Further details on the nature of the service concession arrangements recognised from AASB 1059 is available in Note 14. Property, plant and equipment – Recognition and measurement (xii) Service concession assets.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

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

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

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

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

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-8 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 January 2023

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

#### (j) Changes in accounting estimates

Upon adoption of AASB 1059, the consolidated entity is required to measure existing assets reclassified as service concession assets at fair value (current replacement cost) at the date of initial application. Comprehensive valuations and internal assessments using current replacement cost approach were performed at 1 July 2019 for certain classes of assets previously measured at fair value using other valuation approaches.

The impact of these changes in accounting estimates are summarised in Note 1(i) and Note 14 Property, plant and equipment – Recognition and measurement (xii) Service concession assets and Note 16 Intangible assets-recognition and measurement.

#### (k) Going concern

The financial statements have been prepared on a going concern basis which assumes that the consolidated entity is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. This is supported by the consolidated entity receiving annual appropriations from the Consolidated Fund through the Appropriation Act. The 2021-22 TfNSW budget papers include a budgeted appropriation of \$23.2 billion for the consolidated entity for the 2021-22 financial year. This allows the consolidated entity to continue its operations and pay its debts alongside the availability of its receivables and cash reserves, noting that \$547.9 million of the current liability relates to non-cash items.

In October 2019, the Minister for Transport and Roads announced that State Transit Authority of NSW (STA) will no longer operate in the Eastern, Western and Northern Regions. Private sector operators will be invited to run the bus services in three stages from October 2021 with expected completion by April 2022. The consolidated entity has assessed STA's assets and liabilities and determined that there is no impact to the consolidated entity's classification of current and non-current assets and liabilities.



# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

#### (l) Impact of COVID-19 on financial reporting for 2021

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

- Decreases in several revenue streams compared to prior year, most notably passenger service revenue reduced by \$354.1 million (i.e. fare box) largely due to reduced patronage on rail and STA-operated bus services (refer Note 3(b)). Other revenue streams that reduced to a lesser extent year on year due to COVID-19 included reduced toll/e-tag revenue \$4.8 million (Note 3(b)), lower collection of fines and penalties \$7.5 million since normal fare compliance operations ceased for parts of the year (Note 3(d)) and rental income was \$51.5 million lower than the prior year (Note 3(c)).
- \$131.3 million higher ferry, private bus, light rail and Metro contract costs driven by reduced farebox off-set as a result of reduced patronage (refer Note 2(h)). Opal collections prior to the onset of COVID-19 were approximately \$160.0 million a month; in June 2021 Opal collections were approximately \$80.0 million during the month, reducing from approximately \$100.0 million received in May 2021.
- Increases in some expenses, including cleaning costs by \$50.7 million (Note 2(b)) largely due to increased cleaning activity on all modes of transport during the COVID-19 pandemic. Conversely, other types of expenses have decreased due to reduced patronage and travel restrictions, for example fuel costs were \$11.8 million lower than prior year (Note 2(b)) and certain grants (Note 2(f)).
- Right of use assets have been subject to impairment due to the continuing decrease in demand for commercial office space. The consolidated entity recognised an additional impairment expense of \$10.1 million for the year ended 30 June 2021 on its right of use assets (refer Note 5 and Note 15(a)).
- Additional macroeconomic factors have been considered by the consolidated entity in calculating the expected credit losses on receivables. As at 30 June 2021, the impact of COVID-19 was not considered to be significant to the expected credit loss calculated (Note 8).
- The sensitivity of defined benefit superannuation accrued benefits to changes in the fair value of fund assets is presented in Note 20.

The impact of COVID-19 on farebox revenue in the future is currently unknown, particularly with the recent onset of the Delta strain and subsequent lockdowns. NSW Treasury has provided funding to the consolidated entity for Opal revenue shortfalls for the financial year ended 30 June 2021 (refer Note 3(a)). Rent abatement related to rental properties offered by the consolidated entity has reduced during the current financial year. However this may re-emerge as a new risk in the financial year ending 30 June 2022.

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

for the year ended 30 June 2021

**2. Expenses excluding losses**

**(a) Employee related expenses**

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated 2020 \$'000</b>	<b>Parent 2021 \$'000</b>	<b>Parent 2020 \$'000</b>
Salaries and wages (including annual leave)	2,669,356	2,528,531	935	586
Superannuation - defined benefit plans	33,173	46,807	-	-
Superannuation - defined contribution plans	212,277	193,697	9	24
Long service leave	67,283	121,219	12	67
Workers' compensation insurance	39,659	42,941	-	2
Payroll tax and fringe benefit tax	155,281	162,267	34	37
Redundancy payments	36,199	34,006	-	-
Other	1,411	1,520	-	-
<b>Employee related expenses</b>	<b>3,214,639</b>	<b>3,130,988</b>	<b>990</b>	<b>716</b>

Employee related costs of \$570.5 million (2020: \$685.5 million) (parent entity: nil (2020: nil)) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

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

for the year ended 30 June 2021

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

**(b) Other operating expenses**

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>Restated</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>2020</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>\$'000</b>		
Auditor's remuneration - audit of financial statements	2,763	3,345	266	264
Advertising and marketing	36,670	31,637	-	-
Cashback refund - M4/M5	124,100	112,050	-	-
Cleaning waste and pest control	106,658	56,008	-	-
Communications	29,792	42,012	-	-
Consultants and other contractors	1,015,272	955,496	-	-
Corporate management fees	224,111	203,868	-	-
Electricity, gas and water	140,481	143,247	-	-
Expenses relating to short term leases	2,704	24,053	-	-
Expenses relating to low value assets	2,818	5,422	-	-
Variable lease payments not included in lease liabilities	9,439	9,607	-	-
External maintenance costs	585,986	599,296	-	-
Fleet and equipment hire and leasing charges	123,422	113,233	-	-
Fuel costs	48,341	60,123	-	-
General expenses	184,363	204,992	-	-
Information technology	331,461	253,814	-	-
Insurance	56,212	50,360	-	-
Internal audit fees	1,297	1,406	-	-
Land and buildings remediation	5,769	13,682	-	-
Legal services	21,425	28,290	-	-
Materials	210,014	185,192	-	-
Office expenses	78,146	75,331	-	-
Payments to councils and external bodies	2,631	12,764	-	-
Property charges	55,705	26,547	-	-
Royalties and commissions	3,075	4,865	-	-
Security costs	40,055	33,433	-	-
Special number plates concession fees	32,787	28,015	-	-
Sydney Harbour Tunnel operating expenses	39,594	33,239	-	-
Taxes, rates and related charges	4,588	4,815	-	-
Travel expenses	20,614	18,268	-	-
<b>Other operating expenses</b>	<b>3,540,293</b>	<b>3,334,410</b>	<b>266</b>	<b>264</b>

General expenses of \$184.4 million (2020: \$205.0 million) includes costs relating to the regional seniors travel card program, bus services for rail replacement, plant and equipment hire and training and development.

2020 had the following reclassifications within other operating expenses:

- 1) \$14.4 million consultants and other contractors to office expenses.
- 2) \$33.3 million general expenses to fleet and equipment hire and leasing charges.
- 3) \$0.6 million office expenses to materials.

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

for the year ended 30 June 2021

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

**(c) Maintenance**

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

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Operational maintenance	536,889	538,846	-	-
Fleet hire and other rental charges	78,091	82,467	-	-
Corporate services, information technology and telecommunications	20,914	31,817	-	-
Contractors and materials	554,504	689,161	-	-
Other	24,654	65,616	-	-
<b>Maintenance expense</b>	<b>1,215,052</b>	<b>1,407,907</b>	-	-
Employee related maintenance expense included in Note 2(a)	452,980	500,771	-	-
<b>Total maintenance expense including employee related</b>	<b>1,668,032</b>	<b>1,908,678</b>	-	-

**(d) Major rail project expenses**

	2021 \$'000	2020 \$'000
Professional service contractors	2,082,287	-
Property acquisition	30,817	-
Insurance	1,597	-
Legal services	2,652	-
Rent and other related expenses	12,063	-
Information technology and telecommunication expenses	32,297	-
Other	185,628	-
Employee related expenses	241,107	-
<b>Major rail project expenses</b>	<b>2,588,448</b>	-
<b>Gross amount due from/(to) TAHE and billing to date are as follows:</b>		
Costs incurred	2,588,448	-
Billings to date	(2,233,763)	-
<b>Gross amount due from TAHE</b>	<b>354,685</b>	-

Major rail project expenses relate to construction activities performed by the consolidated entity on behalf of TAHE. These amounts were eliminated on consolidation in the prior year. Refer to Note 29(c) for further information.

There were no major rail project expenses in the Parent entity in the current or prior year.

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

for the year ended 30 June 2021

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

**(e) Depreciation and amortisation**

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated Restated 2020 \$'000</b>	<b>Parent 2021 \$'000</b>	<b>Parent 2020 \$'000</b>
<b>Infrastructure systems:</b>				
Road and maritime infrastructure systems	2,210,845	1,887,763	-	-
Rail infrastructure systems <sup>1</sup>	245,810	1,404,436	-	-
<b>Buildings:</b>				
Buildings	50,683	41,940	-	-
<b>Plant and equipment:</b>				
Rolling stock	58,303	213,530	-	-
Ferries	10,682	12,630	-	-
Buses	45,103	43,236	-	-
Plant and equipment	192,993	215,708	-	-
<b>Depreciation</b>	<b>2,814,419</b>	<b>3,819,243</b>	<b>-</b>	<b>-</b>
Right of use assets	287,688	271,500	-	-
<b>Depreciation - right of use assets</b>	<b>287,688</b>	<b>271,500</b>	<b>-</b>	<b>-</b>
<b>Amortisation:</b>				
Intangible assets	207,597	251,885	-	-
<b>Amortisation</b>	<b>207,597</b>	<b>251,885</b>	<b>-</b>	<b>-</b>
<b>Depreciation and amortisation</b>	<b>3,309,704</b>	<b>4,342,628</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Rail infrastructure systems depreciation expense in the prior year ended 30 June 2020 included \$1,177.6 million related to former Rail Corporation New South Wales (2021: nil). Refer to Note 29(c).

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

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

for the year ended 30 June 2021

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

**(f) Grants and subsidies**

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated 2020 \$'000</b>	<b>Parent 2021 \$'000</b>	<b>Parent 2020 \$'000</b>
Taxi Transport Subsidy Scheme	37,262	40,685	-	-
Community transport groups	86,586	88,837	-	-
Private vehicle conveyance	8,715	13,347	-	-
Carparks and interchanges	4,771	6,726	-	-
Grants to local councils - maintenance of transport infrastructure <sup>1</sup>	911,420	484,631	-	-
Grants to local councils & other parties - transfer of infrastructure assets <sup>2</sup>	931,949	595,794	-	-
National transport regulators	8,104	9,366	-	-
Road safety grant to NSW Police	26,600	27,786	-	-
Others	109,223	68,091	-	-
Rail services and capital works <sup>3</sup>	134,483	-	-	-
Point to point assistance package	9,130	12,560	-	-
<b>Grants and subsidies</b>	<b>2,268,243</b>	<b>1,347,823</b>	<b>-</b>	<b>-</b>

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

<sup>2</sup>Grants to local councils & other parties in the current year included the transfer of Western Sydney Parklands assets of \$252.0 million (2020: nil) by TfNSW. The consolidated entity undertook works and made cash contributions of \$63.9 million (2020: \$11.8 million) to third parties such as councils, utility providers and other Government agencies.

<sup>3</sup>Rail services and capital works of \$134.5 million (2020: nil) represent grant payments to TAHE.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

#### (g) Finance costs

	Notes	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Interest expense from lease liabilities	15	249,531	243,037	-	-
Interest expense from finance liabilities at amortised cost <sup>1</sup>		123,792	149,303	-	-
Interest expenses on NSW TCorp borrowings <sup>2</sup>		102	75,436	-	-
Other finance costs		1,984	675	-	-
<b>Finance costs</b>		<b>375,409</b>	<b>468,451</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Financial liabilities at amortised cost \$123.8 million (2020: \$149.3 million) relate to financial liabilities for service concession arrangements. Refer to Note 14 for further details on service concession arrangements.

<sup>2</sup>Interest expenses on NSW Treasury Corporation (TCorp) borrowings \$0.1 million (2020: \$75.4 million) related to expenses incurred by TAHE. Refer to Note 29(c).

No borrowing costs were capitalised in property, plant and equipment and intangible assets in 2021 and 2020.

#### (h) Other expenses

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Bus contract payments - metropolitan and outer metro bus operators	753,518	710,069	-	-
Bus contract payments - rural and regional bus operators	424,685	412,080	-	-
Major events - hire of bus and rail services	4,012	1,533	-	-
Ferry contract payments	126,996	106,497	-	-
Light rail contract payments	101,523	55,527	-	-
Nightride bus services	6,188	6,516	-	-
Metro contract payments	77,199	68,425	-	-
<b>Other expenses</b>	<b>1,494,121</b>	<b>1,360,647</b>	<b>-</b>	<b>-</b>

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

### Recognition and measurement

#### (i) Employee related expenses

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

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

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

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

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

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

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

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

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

##### (iv) Grants and subsidies

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

##### (v) Finance costs

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

##### (vi) Insurance

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

##### (vii) Lease expenses

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

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

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



## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

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

##### (viii) 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

	Consolidated 2021 \$'000	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Consolidated 2020 \$'000
	Appropriation	Expenditure	Appropriation	Expenditure
Appropriations Act	20,343,553	17,928,727	14,143,868	13,985,459
Additional/(reduced) Appropriations	(2,502,525)	-	(203,318)	-
Section 4.13 GSF Act 2018 - exigencies of Government	-	-	128,810	-
Section 4.11 GSF Act 2018 - variations for annual appropriation for Commonwealth grants	-	-	29,018	-
Payments Variation under the Appropriation Act - transfers to/from agency	-	-	495,175	-
Section 34 of the Appropriations Act 2020 COVID 19 Pandemic Variance	570,614	-	-	-
<b>Total appropriations/ expenditure/ net claim on Consolidated Fund (includes transfer payments)</b>	<b>18,411,642</b>	<b>17,928,727</b>	<b>14,593,553</b>	<b>13,985,459</b>
<b>Appropriation drawn down against Appropriation</b>		<b>17,928,727</b>		<b>13,985,459</b>
<b>Liability to Consolidated Fund</b>		-		-
Appropriation (Per Statement of comprehensive income)		<b>17,928,727</b>		<b>13,985,459</b>
Comprising:				
Recurrent appropriations		11,810,830		9,820,937
Capital appropriations		6,117,897		4,164,522
		<b>17,928,727</b>		<b>13,985,459</b>

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'.

Parliamentary Appropriations received have been used up during the financial year.

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

for the year ended 30 June 2021

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

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

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated Restated 2020 \$'000</b>	<b>Parent 2021 \$'000</b>	<b>Parent 2020 \$'000</b>
Passenger service revenue <sup>1</sup>	654,217	1,008,256	-	-
Toll revenue including E-tag	131,220	136,002	-	-
Number plates	176,731	154,291	-	-
Fees earned from road and maritime infrastructure assets	74,392	74,201	-	-
Works and services including construction contract revenue	43,472	41,223	-	-
Third party insurance data access charges	4,907	4,781	-	-
Advertising	24,018	23,262	-	-
Publications	6,511	7,178	-	-
Fees for services rendered including salary recoupments	159,661	132,542	-	-
Access fees <sup>2</sup>	-	141,878	-	-
Other <sup>3</sup>	146,501	147,505	-	-
<b>Sale of goods and services</b>	<b>1,421,630</b>	<b>1,871,119</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Reduced passenger service revenue (2021: \$654.2 million; 2020: \$1,008.3 million) reflects a decline in patronage as a result of capacity restrictions on public transport services and border closures during the COVID-19 pandemic.

<sup>2</sup>Access fees in the prior year ended 30 June 2020 include fees earned by TAHE of \$141.6 million (2021: nil). Refer to Note 29(c).

<sup>3</sup>Other revenue of \$146.5 million mainly includes revenue from City of Sydney Council for third party works, milestone payments on the Tamworth Rail Line from the Department of Regional NSW, revenue from Regional Roads Victoria contribution to capex work on Murray River Crossings, revenue from Department of Planning Industry for Tuncurry Travel Lift capex, Opal revenue from Electronic ticketing system, sale of rail and quarry products, revenue from various miscellaneous services such as license fees, registrations and inspections. Other revenue of \$147.5 million in the prior year mainly included early agreement termination fees in relation to WestConnex, revenue earned from the Manly wharf settlement, revenue from Regional Roads Victoria for capital works, revenue from miscellaneous services such as license fees, registrations and inspections, sale of permits, cost recovery from other states for running rail services and sales of inventory, rail and quarry products.

**(c) Investment revenue**

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated Restated 2020 \$'000</b>	<b>Parent 2021 \$'000</b>	<b>Parent 2020 \$'000</b>
Rental income <sup>1</sup>	76,398	127,918	-	-
TCorp IM Funds designated at fair value through profit or loss	14,029	349	-	-
Interest income from financial assets not at fair value	10,065	49,401	-	-
Finance income on the net investment in the lease	3	1,382	-	-
Amortisation of zero interest Sydney Harbour Tunnel loan	12,830	12,046	-	-
Ferry lease revenue	5,722	8,111	-	-
<b>Investment revenue</b>	<b>119,047</b>	<b>199,207</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Rental income is related to properties that are primarily held to support the core transport functions of the consolidated entity. The leasing of parts of these properties (2021: \$76.4 million; 2020: \$127.9 million) is therefore incidental to the core function of the consolidated entity. Accordingly, these properties are reported as property, plant and equipment (Note 14) in the Statement of financial position.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

### 3. Revenue (cont'd)

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

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Fines	12,711	20,167	-	-
Insurance claims and fees	19,906	24,466	-	-
<b>Retained taxes, fees and fines</b>	<b>32,617</b>	<b>44,633</b>	<b>-</b>	<b>-</b>

#### (e) Grants and contributions

	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Community transport grants <sup>1</sup>	77,706	75,948	-	-
NSW government agencies - others (non-transport) <sup>2</sup>	385,640	131,989	-	-
Private firms and individuals	24,606	7,672	-	-
Grants from Transport for NSW	-	-	266	264
The Crown in the right of the State of New South Wales <sup>3</sup>	2,410,408	2,935,367	-	-
Local councils	83	11,500	-	-
Other government agencies	11,079	2,439	-	-
<b>Grants and contributions</b>	<b>2,909,522</b>	<b>3,164,915</b>	<b>266</b>	<b>264</b>

<sup>1</sup>Community transport grants of \$77.7 million (2020: \$75.9 million) represent grants received from the Department of Family and Community Services for the Commonwealth Home Support Program.

<sup>2</sup>Other NSW Government grants of \$385.6 million (2020: \$132.0 million) include a capital contribution of \$223.1 million (2020: nil) for shared services from Service NSW; \$130.4 million (2020: nil) for natural disaster restoration works from Resilience NSW; \$13.4 million (2020: nil) for CBD Revitalisation Fund from NSW Treasury; \$15.2 million (2020: nil) for Memorial Avenue Windsor Road Planning from The Department of Planning, Industry and Environment; \$3.5 million (2020: nil) for Moorebank Intermodal project from Commonwealth Government; nil (2020: \$15.8 million) from Infrastructure NSW for the Sydney Metro City & South West project; nil (2020: \$86.5 million) for Natural Disaster local council recoveries from the Office of Environmental Management; nil (2020: \$18.3 million) for Botany Bay Ferry Infrastructure from Office of Environment and Heritage; nil (2020: \$2.1 million) for National Facial Biometric from NSW Police Force and nil (2020: \$9.3 million) from Landcom for revenue recoupment of works performed.

<sup>3</sup>Grants of \$2,410.4 million (2020: \$2,935.4 million) from the Crown in the right of the State of NSW were provided for: Sydney Metro City and Southwest project funded by Restart NSW \$1,036.6 million (2020: \$1,438.6 million), Transport for NSW capital program \$373.5 million (2020: \$1,093.4 million), Parramatta Light Rail \$510.7 million (2020: \$288.7 million), redundancies \$27.2 million (2020: \$32.8 million), Albion park rail bypass \$141.0 million (2020: nil), Berry to Bomaderry upgrade \$102.7 million (2020: nil) and other projects \$218.7 million (2020: \$81.9 million).

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

for the year ended 30 June 2021

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

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

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Superannuation - defined benefit	9,020	12,337	-	-
Long service leave	31,873	67,968	12	67
Payroll tax	567	630	-	-
<b>Acceptance by the Crown of employee benefits and other liabilities</b>	<b>41,460</b>	<b>80,935</b>	<b>12</b>	<b>67</b>

**(g) Major rail project revenue**

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Major rail project revenue	2,588,448	-	-	-
<b>Major rail project revenue</b>	<b>2,588,448</b>	<b>-</b>	<b>-</b>	<b>-</b>

Major rail project revenue relates to construction activities performed by the consolidated entity on behalf of TAHE. These amounts were eliminated on consolidation in the prior year. Refer to Note 29(c) for further information.

**(h) Personnel service revenue**

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Fee for personnel services	-	-	978	649
<b>Personnel service revenue</b>	<b>-</b>	<b>-</b>	<b>978</b>	<b>649</b>

**(i) Other revenue**

	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
M2 and Eastern Distributor promissory notes	11,252	4,318	-	-
Recognition of assets <sup>1</sup>	3,422	91,615	-	-
Revenue related to service concession arrangements <sup>2</sup>	507,601	316,264	-	-
Other	1,892	2,035	-	-
<b>Other revenue</b>	<b>524,167</b>	<b>414,232</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Recognition of assets in the prior year included recognition of newly identified assets (railway bridges \$12.0 million and maritime assets \$44.0 million) and land under tracks of \$32.5 million recognised on completion of Sydney Light Rail.

<sup>2</sup>Revenue related to service concession arrangements \$507.6 million (2020: \$316.3 million) reflects the progressive unwinding of the 'grant of right to operate' liability (Note 22) over the remaining period of the arrangement. Refer to Note 14 for further details on service concession arrangements.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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### 3. Revenue (cont'd)

#### Recognition and measurement

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

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

#### (i) Parliamentary appropriations and contributions

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

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

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

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

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

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

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

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

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

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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### 3. Revenue (cont'd)

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

##### (iv) Investment revenue

###### Interest income

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

###### Rental income

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

##### (v) Grants and contributions

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

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

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

###### Other grants

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

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

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

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

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

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

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

for the year ended 30 June 2021

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

	Notes	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Proceeds from asset sales <sup>1</sup>		3,085	430,698	-	-
Net carrying amount of property, plant and equipment disposed <sup>1</sup>	14	(5,722)	(620,336)	-	-
Net carrying amount of intangible assets disposed	16	(573)	(4,786)	-	-
Gain/(loss) on disposal of non-current assets held for sale		16,628	2,760	-	-
Net gain/(loss) on disposal of right of use assets	15	(1,586)	(7,946)	-	-
<b>Gain/(loss) on disposal</b>		<b>11,832</b>	<b>(199,610)</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Loss on disposal of property, plant and equipment (PPE) of \$189.6 million in 2020 included losses of \$143.1 million in former Rail Corporation New South Wales (refer Note 29(c)) and a \$37.3 million loss on disposal of PPE in connection with Integrated Station Development arrangements for Metro Pitt Street and Metro Waterloo.

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

	Notes	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Impairment losses on property, plant and equipment	14	(257,498)	(489,216)	-	-
<b>Property, plant and equipment</b>		<b>(257,498)</b>	<b>(489,216)</b>	<b>-</b>	<b>-</b>
Impairment reversals/(losses)	15	(10,135)	(80,810)	-	-
Gain/(loss) arising from lease modifications		578	-	-	-
<b>Right of use assets</b>		<b>(9,557)</b>	<b>(80,810)</b>	<b>-</b>	<b>-</b>
Impairment reversals/(losses)		(7,222)	-	-	-
<b>Assets held for sale</b>		<b>(7,222)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Bad debts (written off)/recovered		52	-	-	-
Impairment reversals/(losses)	16	(1,825)	1,670	-	-
Realised gains on other financial instruments <sup>1</sup>		26,204	433,624	-	-
Unrealised derivative (losses)/gains		(833)	(1,872)	-	-
<b>Other</b>		<b>23,598</b>	<b>433,422</b>	<b>-</b>	<b>-</b>
<b>Other gains/(losses)</b>		<b>(250,679)</b>	<b>(136,604)</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Realised gains on other financial instruments in 2020 included \$437.6 million in relation to refinancing of Sydney Metro Northwest debt.

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**6. Service Group Statements**

Consolidated Expenses and Income	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	Restated				Restated		Restated		Restated		Restated	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Expenses excluding losses</b>												
<b>Operating Expenses</b>												
Employee related expenses	1,644,964	1,492,393	-	-	-	-	-	-	1,569,675	1,638,595	3,214,639	3,130,988
Other operating expenses	1,449,461	1,532,616	97,624	98,707	1,378,131	1,272,329	1,917	985	613,160	429,773	3,540,293	3,334,410
Major rail project expenses	2,588,448	-	-	-	-	-	-	-	-	-	2,588,448	-
Depreciation and amortisation	441,199	1,824,031	110,375	149,141	2,337,437	1,993,086	12,047	13,400	408,646	362,970	3,309,704	4,342,628
Grants and subsidies	233,864	380,125	104,430	168,020	1,309,972	751,441	-	-	619,977	48,237	2,268,243	1,347,823
Finance costs	303,621	389,519	49,876	53,894	3,053	20,416	568	-	18,291	4,622	375,409	468,451
Other expenses	178,724	123,972	1,188,400	1,129,827	-	348	126,997	106,500	-	-	1,494,121	1,360,647
<b>Total expenses excluding losses</b>	<b>6,840,281</b>	<b>5,742,656</b>	<b>1,550,705</b>	<b>1,599,589</b>	<b>5,028,593</b>	<b>4,037,620</b>	<b>141,529</b>	<b>120,885</b>	<b>3,229,749</b>	<b>2,484,197</b>	<b>16,790,857</b>	<b>13,984,947</b>
<b>Revenue</b>												
Appropriation	7,412,484	3,370,490	1,391,506	1,107,042	6,933,020	6,867,220	127,718	106,500	2,063,999	2,534,207	17,928,727	13,985,459
Sale of goods services from contracts with customers	610,498	1,034,143	123,524	199,279	615,484	619,556	-	-	72,124	18,141	1,421,630	1,871,119
Investment revenue	23,572	106,591	91	433	85,533	77,074	5,799	8,429	4,052	6,680	119,047	199,207
Retained taxes, fees and fines	4,397	26,732	146	125	27,307	17,773	-	-	767	3	32,617	44,633
Grants and contributions	1,587,148	1,768,781	1,536	5,712	969,293	1,245,349	-	-	351,545	145,073	2,909,522	3,164,915
Major rail project revenue	2,588,448	-	-	-	-	-	-	-	-	-	2,588,448	-
Acceptance by the Crown of employee benefits and other liabilities	-	-	-	-	-	-	-	-	41,460	80,935	41,460	80,935
Other revenue	-	4,037	-	-	519,346	370,639	1,892	1,819	2,929	37,737	524,167	414,232
<b>Total revenue</b>	<b>12,226,547</b>	<b>6,310,774</b>	<b>1,516,803</b>	<b>1,312,591</b>	<b>9,149,983</b>	<b>9,197,611</b>	<b>135,409</b>	<b>116,748</b>	<b>2,536,876</b>	<b>2,822,776</b>	<b>25,565,618</b>	<b>19,760,500</b>
Gain/(loss) on disposal	6,895	(182,099)	(2,010)	(6,792)	10,142	132,333	-	-	(3,195)	(143,052)	11,832	(199,610)
Other gains/(losses)	7,279	425,775	-	-	(144,466)	(276,729)	519	1,670	(114,011)	(287,320)	(250,679)	(136,604)
Impairment losses on financial assets	216	(1,530)	-	-	131	(6,659)	-	-	(354)	-	(7)	(8,189)
<b>Net result</b>	<b>5,400,656</b>	<b>810,264</b>	<b>(35,912)</b>	<b>(293,790)</b>	<b>3,987,197</b>	<b>5,008,936</b>	<b>(5,601)</b>	<b>(2,467)</b>	<b>(810,433)</b>	<b>(91,793)</b>	<b>8,535,907</b>	<b>5,431,150</b>
Net gains/(losses) in commodity swaps and foreign exchange	7,907	(13,671)	-	-	-	-	-	-	32	(29)	7,939	(13,700)
Net increase/(decrease) in asset revaluation surplus	298,505	2,012,089	-	-	359,924	2,453,358	-	2,261	9,371	24,603	667,800	4,492,311
Remeasurement of defined benefit superannuation schemes	106,296	(7,694)	-	-	-	-	-	-	11,698	379	117,994	(7,315)
<b>Total other comprehensive income</b>	<b>412,708</b>	<b>1,990,724</b>	<b>-</b>	<b>-</b>	<b>359,924</b>	<b>2,453,358</b>	<b>-</b>	<b>2,261</b>	<b>21,101</b>	<b>24,953</b>	<b>793,733</b>	<b>4,471,296</b>
<b>Total comprehensive income</b>	<b>5,813,364</b>	<b>2,800,988</b>	<b>(35,912)</b>	<b>(293,790)</b>	<b>4,347,121</b>	<b>7,462,294</b>	<b>(5,601)</b>	<b>(206)</b>	<b>(789,332)</b>	<b>(66,840)</b>	<b>9,329,640</b>	<b>9,902,446</b>

The names and purposes of each service group are summarised in Note 1(h)). 2020 comparatives have been restated to reflect the adoption of AASB 1059. Refer to Note 1(i) for further details



**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Administered expenses and income</b>												
<b>Administered expenses</b>												
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	-	-	2,644	4,637	2,644	4,637
<b>Administered expenses</b>	-	-	-	-	-	-	-	-	<b>2,644</b>	<b>4,637</b>	<b>2,644</b>	<b>4,637</b>
<b>Administered income</b>												
Transfer receipts - taxes, fees and fines	-	-	-	-	4,083,071	3,769,882	-	-	2,611	4,657	4,085,682	3,774,539
<b>Administered income</b>	-	-	-	-	<b>4,083,071</b>	<b>3,769,882</b>	-	-	<b>2,611</b>	<b>4,657</b>	<b>4,085,682</b>	<b>3,774,539</b>
<b>Administered income less expenses</b>	-	-	-	-	<b>4,083,071</b>	<b>3,769,882</b>	-	-	<b>(33)</b>	<b>20</b>	<b>4,083,038</b>	<b>3,769,902</b>

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

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

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	2021	Restated 2020	2021	2020	2021	Restated 2020	2021	Restated 2020	2021	Restated 2020	2021	2020
Assets and liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>												
<b>Current assets</b>												
Cash and cash equivalents	2,107,261	746,297	54,031	34,577	415,413	788,073	42,283	50,978	2,125,975	906,293	4,744,963	2,526,218
Receivables	509,709	260,602	11,705	4,231	625,269	507,933	856	301	423,005	174,128	1,570,544	947,195
Inventories	20,482	21,154	7,208	7,354	5,279	4,679	-	-	-	-	32,969	33,187
Financial assets at fair value	2,399	650	-	-	133,993	119,970	-	-	-	-	136,392	120,620
Non-current assets held for sale	13,693	44,976	-	-	22,507	10,329	-	-	-	-	36,200	55,305
Other financial assets	6,146	3,963	-	-	1,609	-	-	-	-	-	7,755	3,963
<b>Total current assets</b>	<b>2,659,690</b>	<b>1,077,642</b>	<b>72,944</b>	<b>46,162</b>	<b>1,204,070</b>	<b>1,430,984</b>	<b>43,139</b>	<b>51,279</b>	<b>2,548,980</b>	<b>1,080,421</b>	<b>6,528,823</b>	<b>3,686,488</b>
<b>Non-current assets</b>												
Receivables	1,373,699	1,154,917	-	-	10,340	4,123	-	-	-	-	1,384,039	1,159,040
Inventories	33,537	32,702	-	-	-	-	-	-	-	-	33,537	32,702
Financial assets at fair value	602	155	-	-	-	-	-	-	-	-	602	155
Other financial assets	-	-	-	-	276,467	252,385	-	-	3,332	3,642	279,799	256,027
Land and buildings	888,778	488,130	424,064	479,848	4,257,290	3,588,849	9,068	9,501	163,395	228,717	5,742,595	4,795,045
Plant and equipment	1,657,757	4,755,844	379,697	409,698	194,657	135,194	124,067	87,846	696,784	706,006	3,052,962	6,094,588
Infrastructure systems	23,631,954	56,713,682	12,724	2,875	128,665,077	122,759,722	-	-	257,246	190,387	152,567,001	179,666,666
<b>Property, plant and equipment</b>	<b>26,178,489</b>	<b>61,957,656</b>	<b>816,485</b>	<b>892,421</b>	<b>133,117,024</b>	<b>126,483,765</b>	<b>133,135</b>	<b>97,347</b>	<b>1,117,425</b>	<b>1,125,110</b>	<b>161,362,558</b>	<b>190,556,299</b>
Right of use assets	2,101,826	2,168,568	733,780	757,047	165,992	191,746	-	-	627,781	679,690	3,629,379	3,797,051
Intangible assets	203,080	566,332	3,360	7,110	266,235	274,050	26,601	27,624	600,146	618,308	1,099,422	1,493,424
<b>Total non-current assets</b>	<b>29,891,233</b>	<b>65,880,330</b>	<b>1,553,625</b>	<b>1,656,578</b>	<b>133,836,058</b>	<b>127,206,069</b>	<b>159,736</b>	<b>124,971</b>	<b>2,348,684</b>	<b>2,426,750</b>	<b>167,789,336</b>	<b>197,294,698</b>
<b>Total assets</b>	<b>32,550,923</b>	<b>66,957,972</b>	<b>1,626,569</b>	<b>1,702,740</b>	<b>135,040,128</b>	<b>128,637,053</b>	<b>202,875</b>	<b>176,250</b>	<b>4,897,664</b>	<b>3,507,171</b>	<b>174,318,159</b>	<b>200,981,186</b>

The names and purposes of each service group are summarised in Note 1(h). 2020 comparatives have been restated to reflect the adoption of AASB 1059. Refer to Note 1(i) for further details.

**Department of Transport**  
**Notes to the financial statements**  
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**6. Service Group Statements (cont'd)**

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	2021	Restated 2020	2021	2020	2021	Restated 2020	2021	Restated 2020	2021	Restated 2020	2021	2020
Assets and liabilities (cont'd)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities</b>												
<b>Current liabilities</b>												
Payables	2,093,674	619,214	93,713	9,421	1,143,993	1,014,919	23,249	3,390	1,151,230	671,529	4,505,859	2,318,473
Contract liabilities	1,528	3,444	-	-	247,807	221,888	-	-	2,661	364	251,996	225,696
Borrowings	1,621,514	1,146,870	126,379	131,366	322,398	587,288	1,056	440	101,199	45,751	2,172,546	1,911,715
Employee benefits	595,830	563,160	-	-	-	-	-	-	368,134	327,057	963,964	890,217
Other provisions	52,099	65,465	2,308	1,544	33,431	79,789	1,537	637	308	5,601	89,683	153,036
Other liabilities	8,973	12,584	-	-	633,753	549,837	2,023	2,274	216,072	403,304	860,821	967,999
<b>Total current liabilities</b>	<b>4,373,618</b>	<b>2,410,737</b>	<b>222,400</b>	<b>142,331</b>	<b>2,381,382</b>	<b>2,453,721</b>	<b>27,865</b>	<b>6,741</b>	<b>1,839,604</b>	<b>1,453,606</b>	<b>8,844,869</b>	<b>6,467,136</b>
<b>Non-current liabilities</b>												
Payables	354,684	181,311	-	-	-	-	-	-	-	-	354,684	181,311
Contract liabilities	21,099	20,000	-	-	76,154	57,839	-	-	-	-	97,253	77,839
Borrowings	5,546,097	8,771,692	684,449	780,665	38,699	511,032	48,725	17,753	786,338	708,992	7,104,308	10,790,134
Employee benefits	811,828	1,148,995	-	-	-	-	-	-	176,644	193,609	988,472	1,342,604
Other provisions	28,422	26,359	-	701	13,994	18,389	-	-	16,625	13,313	59,041	58,762
Other liabilities	2,873	2,869	-	-	16,801,016	14,525,744	-	-	-	45	16,803,889	14,528,658
<b>Total non-current liabilities</b>	<b>6,765,003</b>	<b>10,151,226</b>	<b>684,449</b>	<b>781,366</b>	<b>16,929,863</b>	<b>15,113,004</b>	<b>48,725</b>	<b>17,753</b>	<b>979,607</b>	<b>915,959</b>	<b>25,407,647</b>	<b>26,979,308</b>
<b>Total liabilities</b>	<b>11,138,621</b>	<b>12,561,963</b>	<b>906,849</b>	<b>923,697</b>	<b>19,311,245</b>	<b>17,566,725</b>	<b>76,590</b>	<b>24,494</b>	<b>2,819,211</b>	<b>2,369,565</b>	<b>34,252,516</b>	<b>33,446,444</b>
<b>Net assets</b>	<b>21,412,302</b>	<b>54,396,009</b>	<b>719,720</b>	<b>779,043</b>	<b>115,728,883</b>	<b>111,070,328</b>	<b>126,285</b>	<b>151,756</b>	<b>2,078,453</b>	<b>1,137,606</b>	<b>140,065,643</b>	<b>167,534,742</b>

The names and purposes of each service group are summarised in Note (1(h)). 2020 comparatives have been restated to reflect the adoption of AASB 1059. Refer to Note 1(i) for further details.

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

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**7. Cash and cash equivalents**

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Cash at bank and on hand <sup>1</sup>	4,604,569	2,423,122	228	460
Public revenue bank account	116,034	78,773	-	-
Security deposits	24,360	24,323	-	-
<b>Cash and cash equivalents</b>	<b>4,744,963</b>	<b>2,526,218</b>	<b>228</b>	<b>460</b>

<sup>1</sup>Cash at bank and on hand includes cash required to settle creditors arising from compulsory acquisitions within the next twelve months (refer Note 18. Payables).

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

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

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Cash and cash equivalents (per Statement of financial position)	4,744,963	2,526,218	228	460
<b>Closing cash and cash equivalents (per Statement of cash flows)</b>	<b>4,744,963</b>	<b>2,526,218</b>	<b>228</b>	<b>460</b>

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

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

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

**Restricted cash and cash equivalents**

Cash and cash equivalent assets include restricted cash of \$497.7 million (2020: \$590.8 million) (parent entity: nil (2020: 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 2021 \$'000	Consolidated 2020 \$'000
Parking Space Levy	45,133	117,973
Community Transport Groups	15,565	12,797
Railway Contribution Deed	-	148
E-Tag Deposit	64,380	65,988
Maritime Waterways Fund	338,013	357,990
Funds related to land acquisition by the State	34,608	35,908
<b>Restricted cash and cash equivalents</b>	<b>497,699</b>	<b>590,804</b>

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.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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### 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.

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

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

Funds relating to land acquisitions by the State, 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.

#### Recognition and measurement

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

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

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

for the year ended 30 June 2021

**8. Receivables**

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>Restated</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>2020</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>\$'000</b>		<b>\$'000</b>
Trade receivables from contracts with customers <sup>1</sup>	375,010	114,090	-	-
Goods and Services Tax recoverable	561,711	366,576	27	23
Prepayments	319,989	209,512	-	-
Income receivable	176,504	109,270	-	-
Other receivables <sup>3</sup>	144,549	161,012	3	3
Investment income receivable	571	531	-	-
	<b>1,578,334</b>	<b>960,991</b>	<b>30</b>	<b>26</b>
Less: Allowance for expected credit loss	(7,790)	(13,796)	-	-
<b>Current receivables</b>	<b>1,570,544</b>	<b>947,195</b>	<b>30</b>	<b>26</b>
<b>Movement in the allowance for expected credit losses</b>				
Balance at 1 July	(13,796)	(8,858)	-	-
Loss of control of TAHE	1,702	-	-	-
Amounts written off during the year	4,311	3,251	-	-
(Increase)/decrease in allowance recognised in net results	(7)	(8,189)	-	-
<b>Balance at 30 June</b>	<b>(7,790)</b>	<b>(13,796)</b>	<b>-</b>	<b>-</b>
	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2021</b>	<b>Restated</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>2020</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>\$'000</b>		<b>\$'000</b>
Trade receivables from contracts with customers <sup>1</sup>	354,684	-	-	-
Finance leases <sup>2</sup>	-	25,407	-	-
Other receivables <sup>3</sup>	1,019,015	1,129,509	-	-
Prepayments	10,340	4,124	-	-
<b>Non-current receivables</b>	<b>1,384,039</b>	<b>1,159,040</b>	<b>-</b>	<b>-</b>

<sup>1</sup>Trade receivables from contracts with customers include current receivables from TAHE of \$257.0 million (2020: nil) and non-current receivables from TAHE of \$354.7 million (2020: nil)).

<sup>2</sup>Finance leases in the year ended 30 June 2020 related to finance lease minimum payments receivable in TAHE where TAHE was the lessor.

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

<sup>3</sup>Other receivables in the consolidated entity include proceeds receivable from external parties under the Integrated Station Development arrangements in Sydney Metro of \$969.7 million (2020: \$1,078.3 million) and grants receivable from Infrastructure NSW of \$50.0 million (2020: \$99.3 million).

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

**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.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

### 8. Receivables (cont'd)

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

##### Subsequent measurement

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

##### Impairment

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

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

### 9. Contract assets and liabilities

	Notes	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Contract liabilities - current		251,996	225,696	-	-
Contract liabilities - non current		97,253	77,839	-	-
<b>Contract liabilities</b>		<b>349,249</b>	<b>303,535</b>	-	-
<b>Contract receivables</b>	<b>8</b>	<b>375,010</b>	<b>114,090</b>	-	-

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Revenue recognised that was included in the contract liability at the beginning of the year	152,512	3,458
Revenue recognised from performance obligations satisfied in previous periods	-	-
Transaction price allocated to the remaining performance obligations from contracts with customers	349,249	303,535

#### Recognition and measurement

Contract liabilities relate to consideration received in advance from customers in respect of licence fees and toll revenue, funding received in advance for the design and construction of certain developments and other receipts in advance for services yet to be performed. Contract liabilities also include accrued expenses for projects where milestones have not yet been met. The balance of contract liabilities at 30 June 2021 is driven by the amount of revenue that is prepaid by customers before the benefits are utilised.

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

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

for the year ended 30 June 2021

**10. Inventories**

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Materials, spare parts and other stores	44,304	45,213	-	-
Less: Provision for obsolescence	(11,335)	(12,026)	-	-
<b>Current inventories held for distribution</b>	<b>32,969</b>	<b>33,187</b>	-	-
Materials, spare parts and other stores	33,537	32,702	-	-
<b>Non-current inventories held for distribution</b>	<b>33,537</b>	<b>32,702</b>	-	-

**Recognition and measurement**

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

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

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

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

**11. Financial assets at fair value**

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Derivatives	2,399	656	-	-
TCorpIM Funds (medium and long-term growth facilities)	133,993	119,964	-	-
<b>Current financial assets at fair value</b>	<b>136,392</b>	<b>120,620</b>	-	-
Derivatives	602	155	-	-
<b>Non-current financial assets at fair value</b>	<b>602</b>	<b>155</b>	-	-

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.



# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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### 11. 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 *Government Sector Finance Act 2018*.

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

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

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

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

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

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

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

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

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

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.

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

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

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

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.

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

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

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

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

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

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

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Land and buildings held for sale	36,200	55,305	-	-
<b>Non-current assets held for sale</b>	<b>36,200</b>	<b>55,305</b>	<b>-</b>	<b>-</b>

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

#### Recognition and measurement

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

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

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

for the year ended 30 June 2021

**13. Other financial assets**

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Biodiversity offset deposit <sup>1</sup>	1,609	-	-	-
Energy certificates - at cost <sup>2</sup>	6,146	3,963	-	-
<b>Current other financial assets</b>	<b>7,755</b>	<b>3,963</b>	<b>-</b>	<b>-</b>
Loan to Sydney Harbour Tunnel Company Limited <sup>3</sup>	201,642	188,812	-	-
Promissory notes <sup>4</sup>	74,825	63,574	-	-
Interest free advances to taxi operators <sup>5</sup>	3,332	3,641	-	-
<b>Non-current other financial assets</b>	<b>279,799</b>	<b>256,027</b>	<b>-</b>	<b>-</b>

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

<sup>1</sup> Biodiversity offset deposits of \$1.6 million (2020: nil) represent funds deposited by TfNSW into the Biodiversity Stewardship Payments Fund.

<sup>2</sup> Energy certificates of \$6.1 million (2020: \$4.0 million) relate to large-scale generation certificates (LGCs). The consolidated entity acquires LGCs under the provisions of the Large-Scale Renewable Energy Target (LRET) scheme that mandates retailers and large customers purchase a share of their electricity supply requirements from renewable energy resources; and surrenders the required amount volume of LGCs to meet its target. The LGCs are acquired solely to satisfy these obligations.

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

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

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

**Recognition and measurement**

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

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

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

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**14. Property, plant and equipment**

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

Consolidated	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2021</b>										
Gross carrying amount	6,213,991	163,291,087	25,549,570	188,840,657	1,892,129	1,922,786	1,053,910	370,538	5,239,363	200,294,011
Accumulated depreciation and impairment	(471,396)	(35,619,439)	(654,217)	(36,273,656)	(886,400)	(329,941)	(719,638)	(250,422)	(2,186,401)	(38,931,453)
<b>Net carrying amount</b>	<b>5,742,595</b>	<b>127,671,648</b>	<b>24,895,353</b>	<b>152,567,001</b>	<b>1,005,729</b>	<b>1,592,845</b>	<b>334,272</b>	<b>120,116</b>	<b>3,052,962</b>	<b>161,362,558</b>
<b>Restated at 30 June 2020</b>										
Gross carrying amount	9,881,978	157,335,062	95,887,225	253,222,287	2,348,754	7,796,775	1,098,568	325,794	11,569,891	274,674,156
Accumulated depreciation and impairment	(5,086,933)	(34,381,631)	(39,173,990)	(73,555,621)	(991,423)	(3,493,953)	(747,843)	(242,084)	(5,475,303)	(84,117,857)
<b>Restated net carrying amount</b>	<b>4,795,045</b>	<b>122,953,431</b>	<b>56,713,235</b>	<b>179,666,666</b>	<b>1,357,331</b>	<b>4,302,822</b>	<b>350,725</b>	<b>83,710</b>	<b>6,094,588</b>	<b>190,556,299</b>

There was nil (2020: nil) property, plant and equipment held by the parent.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 17.

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

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

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

Consolidated	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2021</b>										
Net carrying amount at start of year	4,795,045	122,953,431	56,713,235	179,666,666	1,357,331	4,302,822	350,725	83,710	6,094,588	190,556,299
Additions	729,644	7,400,893	5,706,715	13,107,608	95,277	2,690	60,809	44,744	203,520	14,040,772
Recognition of assets	2,929	493	-	493	-	-	-	-	-	3,422
Revaluation increment/(decrement) recognised in equity	132,255	242,924	260,960	503,884	1,042	30,619	-	-	31,661	667,800
Disposals	(852)	-	(378)	(378)	(2,409)	(15)	(2,068)	-	(4,492)	(5,722)
Impairment (losses)/reversals	363	(354,259)	95,228	(259,031)	(1,174)	-	-	2,344	1,170	(257,498)
Assets transferred (to)/from non-current assets held for sale	(72,303)	-	-	-	-	-	-	-	-	(72,303)
Reclassification between PPE classes	199,085	(658,198)	491,515	(166,683)	(93,588)	91,277	(30,091)	-	(32,402)	-
Reclassifications (to)/from intangible assets	-	-	7,751	7,751	91,184	-	-	-	91,184	98,935
Reclassifications (to)/from other assets	-	-	(203,759)	(203,759)	-	-	-	-	-	(203,759)
Depreciation expense	(50,683)	(2,210,845)	(245,810)	(2,456,655)	(192,993)	(58,303)	(45,103)	(10,682)	(307,081)	(2,814,419)
Increase/(decrease) in net assets from equity transfer	4,086	-	-	-	(2,770)	-	-	-	(2,770)	1,316
Transfer to councils, NSW government agencies & other parties	(27,572)	(571,207)	(309,862)	(881,069)	-	-	-	-	-	(908,641)
Loss of control of TAHE	-	-	(37,626,365)	(37,626,365)	(246,173)	(2,776,245)	-	-	(3,022,418)	(40,648,783)
Increase in net assets from administrative restructures	30,598	868,416	6,123	874,539	2	-	-	-	2	905,139
<b>Net carrying amount at 30 June</b>	<b>5,742,595</b>	<b>127,671,648</b>	<b>24,895,353</b>	<b>152,567,001</b>	<b>1,005,729</b>	<b>1,592,845</b>	<b>334,272</b>	<b>120,116</b>	<b>3,052,962</b>	<b>161,362,558</b>

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**Consolidated – Reconciliation of total property, plant and equipment (prior year)**

Consolidated – Reconciliation	Infrastructure systems				Plant and equipment						Total	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		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2020</b>												
Net carrying amount at start of year	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
Restatement of infrastructure assets	-	(1,101,614)	-	(1,101,614)	-	-	-	-	-	-	-	(1,101,614)
Reclassification to right of use asset	(229,944)	-	-	-	(4,098)	(700,845)	-	(1,904,942)	-	-	(2,609,885)	(2,839,829)
Net adjustment on initial application of AASB 1059	155,969	20,272,079	3,049,926	23,322,005	5,848	-	-	-	-	-	5,848	23,483,822
Restated net carrying amount at start of year	4,541,492	114,721,753	53,184,972	167,906,725	1,090,380	-	3,792,241	-	328,986	72,435	5,284,042	177,732,259
Additions	378,898	6,800,056	6,191,719	12,991,775	202,071	-	114,719	-	67,005	22,988	406,783	13,777,456
Recognition of assets	1,246	87,096	3,273	90,369	-	-	-	-	-	-	-	91,615
Revaluation increment/(decrement) recognised in equity	(226,035)	2,219,777	2,473,491	4,693,268	1,507	-	22,654	-	-	917	25,078	4,492,311
Disposals	(103,680)	(103)	(504,927)	(505,030)	(8,057)	-	(1,379)	-	(2,190)	-	(11,626)	(620,336)
Impairment (losses)/reversals	(1,306)	(149,393)	(337,924)	(487,317)	-	-	(593)	-	-	-	(593)	(489,216)
Assets transferred (to)/from non-current assets held for sale	(51,077)	-	-	-	(170)	-	-	-	-	-	(170)	(51,247)
Reclassification between PPE classes	193,225	1,301,308	(2,342,165)	(1,040,857)	258,762	-	588,710	-	160	-	847,632	-
Reclassifications (to)/from intangible assets	-	(53)	(72,249)	(72,302)	25,979	-	-	-	-	-	25,979	(46,323)
Reclassifications (to)/from other assets	(1,996)	81,183	(104,617)	(23,434)	2,582	-	-	-	-	-	2,582	(22,848)
Depreciation expense	(41,940)	(1,887,763)	(1,404,436)	(3,292,199)	(215,708)	-	(213,530)	-	(43,236)	(12,630)	(485,104)	(3,819,243)
Increase/(decrease) in net assets from equity transfer	108,863	-	-	-	-	-	-	-	-	-	-	108,863
Transfer to councils, NSW government agencies & other parties	(2,645)	(220,430)	(373,902)	(594,332)	(15)	-	-	-	-	-	(15)	(596,992)
<b>Restated net carrying amount at 30 June</b>	<b>4,795,045</b>	<b>122,953,431</b>	<b>56,713,235</b>	<b>179,666,666</b>	<b>1,357,331</b>	<b>-</b>	<b>4,302,822</b>	<b>-</b>	<b>350,725</b>	<b>83,710</b>	<b>6,094,588</b>	<b>190,556,299</b>

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

The reclassifications between property, plant and equipment classes comprise mainly transfer of infrastructure systems to land and buildings, and plant equipment in a number of controlled entities in 2021 and 2020.

Certain roads, rail systems and land and buildings were transferred to and from councils and other parties.

- a) Comprehensive revaluations on land and buildings were undertaken in a number of the controlled entities in 2021 and 2020. The fair value of such assets is stated at fair value using either the direct comparison approach or current replacement cost (CRC).
- b) Comprehensive revaluations on certain infrastructure assets including rail infrastructure for CBD and South East Light Rail were performed in 2021.
- c) Maritime assets revalued in 2020 included wharves and jetties, seawalls, dredging, maritime roads and navigational aids. The revaluation involved the follow steps:
  - Obtaining assets inventory data for asset types from various sources of databases.
  - Applying average unit rates for assets and asset components where possible to determine the estimated replacement cost for each asset type.
  - Estimating normal useful lives and remaining useful lives based on condition. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
  - Applying depreciation (straight line) based on age/life analysis to estimate fair value.
- d) Specialised rail infrastructure assets are measured at depreciated replacement cost, which is based on the incremental optimised replacement cost. Optimised replacement cost is the minimum cost in the normal course of business to replace the existing asset with a technologically modern equivalent asset with the same economic benefits after adjusting for over design, over capacity and redundant components.
- e) Newcastle Light Rail, CBD and South East Light Rail as specialised assets have been valued using the cost approach. Due to this being a recently constructed project, the gross replacement cost has been determined by adjusting the historical cost (excluding relocating costs) using relevant indices.
- f) All road infrastructure assets are stated at fair value using the CRC approach:
  - The methods and significant assumptions applied in estimating the 'Roads' asset class fair values include Primary Approach, Secondary Approach and Hybrid Approach.
  - Due to the specialised nature of Transport for NSW's 'roads' asset class and that the roads are not sold or traded, the fair value for this asset class cannot be determined with reference to the observable prices in an active market or recent market transactions on arm's length terms. Instead, the fair value has been determined using the valuation techniques mentioned above, primarily with reference to current tendered contracted rates produced by Project Management Office.
- g) Land and buildings acquired for future road works comprises of untenanted land for road (ULR), public reserves, rental and surplus properties. LAFFRW are initially valued at acquisition cost and progressively revalued to current market value over a three year cycle by registered valuers.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

- h) Comprehensive revaluation on certain service concession assets land and buildings, plant and equipment and infrastructure assets were performed in 2020.
- i) Service concession infrastructure assets revalued in 2020 included roads, bridges and traffic control network assets. The revaluation involved the follow steps:
- Obtaining asset inventory information from private operators supplemented by as-built drawings to form the basis of valuation analysis for all service concession arrangement toll roads asset classes: roads, bridges, traffic control, building and equipment.
  - Applying unit rates to the inventory listing based on the modern equivalent capitalisation type.
  - Optimising the replacement cost for assets to adjust for over-design, overcapacity, redundant components and operating and maintenance costs
  - Estimating normal useful lives and remaining useful lives based on element condition data. Applying remaining life extensions to assets past their normal useful life but still in use.
  - Applying depreciation (straight line) based on age/life analysis to estimate fair value.



**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2021</b>										
At cost - Gross carrying amount	5,178,618	162,914,171	25,529,728	188,443,899	1,892,129	1,922,786	1,053,910	370,538	5,239,363	198,861,880
Accumulated depreciation and impairment	(470,655)	(35,619,439)	(654,217)	(36,273,656)	(886,400)	(329,941)	(719,638)	(250,422)	(2,186,401)	(38,930,712)
<b>Net carrying amount</b>	<b>4,707,963</b>	<b>127,294,732</b>	<b>24,875,511</b>	<b>152,170,243</b>	<b>1,005,729</b>	<b>1,592,845</b>	<b>334,272</b>	<b>120,116</b>	<b>3,052,962</b>	<b>159,931,168</b>
<b>Restated at 30 June 2020</b>										
At cost - Gross carrying amount	8,871,774	156,982,713	95,252,314	252,235,027	2,345,438	7,796,775	1,098,568	325,794	11,566,575	272,673,376
Accumulated depreciation and impairment and impairment	(5,086,630)	(34,381,631)	(38,996,745)	(73,378,376)	(989,145)	(3,493,953)	(747,843)	(242,084)	(5,473,025)	(83,938,031)
<b>Restated net carrying amount</b>	<b>3,785,144</b>	<b>122,601,082</b>	<b>56,255,569</b>	<b>178,856,651</b>	<b>1,356,293</b>	<b>4,302,822</b>	<b>350,725</b>	<b>83,710</b>	<b>6,093,550</b>	<b>188,735,345</b>

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

Consolidated	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2021</b>										
Restated net carrying amount at start of year	3,785,144	122,601,082	56,255,569	178,856,651	1,356,293	4,302,822	350,725	83,710	6,093,550	188,735,345
Additions	729,371	7,400,893	5,706,715	13,107,608	95,277	2,690	60,809	44,744	203,520	14,040,499
Recognition of assets	2,879	493	-	493	-	-	-	-	-	3,372
Revaluation increment/(decrement) recognised in equity	117,850	218,357	260,960	479,317	1,042	30,619	-	-	31,661	628,828
Disposals	(852)	-	72,398	72,398	(2,409)	(15)	(2,068)	-	(4,492)	67,054
Impairment (losses)/reversals	363	(354,259)	95,228	(259,031)	(1,174)	-	-	2,344	1,170	(257,498)
Assets transferred (to)/from non-current assets held for sale	(72,303)	-	-	-	-	-	-	-	-	(72,303)
Reclassification between PPE classes	195,117	(658,198)	491,515	(166,683)	(92,550)	91,277	(30,091)	-	(31,364)	(2,930)
Reclassifications (to)/from intangible assets	-	-	7,751	7,751	91,184	-	-	-	91,184	98,935
Reclassifications (to)/from other assets	-	-	(203,759)	(203,759)	-	-	-	-	-	(203,759)
Depreciation expense	(50,650)	(2,210,845)	(245,810)	(2,456,655)	(192,993)	(58,303)	(45,103)	(10,682)	(307,081)	(2,814,386)
Increase/(decrease) in net assets from equity transfer	4,086	-	-	-	(2,770)	-	-	-	(2,770)	1,316
Transfer to councils, NSW government agencies & other parties	(27,572)	(571,207)	(309,862)	(881,069)	-	-	-	-	-	(908,641)
Loss of control of TAHE	-	-	(37,261,317)	(37,261,317)	(246,173)	(2,776,245)	-	-	(3,022,418)	(40,283,735)
Increase in net assets from administrative restructures	24,530	868,416	6,123	874,539	2	-	-	-	2	899,071
<b>Net carrying amount as at 30 June</b>	<b>4,707,963</b>	<b>127,294,732</b>	<b>24,875,511</b>	<b>152,170,243</b>	<b>1,005,729</b>	<b>1,592,845</b>	<b>334,272</b>	<b>120,116</b>	<b>3,052,962</b>	<b>159,931,168</b>

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

Consolidated	Infrastructure systems				Plant and equipment						Total property, plant and equipment \$ '000	
	Land and buildings \$ '000	Road and maritime systems \$ '000	Rail systems \$ '000	Total \$ '000	Plant and equipment \$ '000	Finance leased buses \$ '000	Rolling stock \$ '000	Leased rolling stock \$ '000	Buses \$ '000	Ferries \$ '000		Total \$ '000
<b>At 30 June 2020</b>												
Net carrying amount at start of year	3,600,201	95,190,929	49,703,078	144,894,007	1,087,420	700,845	3,792,241	1,904,942	328,986	72,435	7,886,869	156,381,077
Restatement of infrastructure assets		(1,101,614)	-	(1,101,614)	-	-	-	-	-	-	-	(1,101,614)
Reclassification to right of use asset	(229,944)	-	-	-	(4,098)	(700,845)	-	(1,904,942)	-	-	(2,609,885)	(2,839,829)
Net adjustment on initial application of AASB 1059	155,969	20,272,079	3,049,926	23,322,005	5,848	-	-	-	-	-	5,848	23,483,822
<b>Restated net carrying amount at start of year</b>	<b>3,526,226</b>	<b>114,361,394</b>	<b>52,753,004</b>	<b>167,114,398</b>	<b>1,089,170</b>	<b>-</b>	<b>3,792,241</b>	<b>-</b>	<b>328,986</b>	<b>72,435</b>	<b>5,282,832</b>	<b>175,923,456</b>
Additions	378,898	6,800,056	6,181,197	12,981,253	202,071	-	114,719	-	67,005	22,988	406,783	13,766,934
Recognition of assets	1,246	87,096	3,273	90,369	-	-	-	-	-	-	-	91,615
Revaluation increment/(decrement) recognised in equity	(193,562)	2,227,787	2,454,524	4,682,311	1,507	-	22,654	-	-	917	25,078	4,513,827
Disposals	(102,459)	(103)	(504,927)	(505,030)	(8,057)	-	(1,379)	-	(2,190)	-	(11,626)	(619,115)
Impairment (losses)/reversals	(1,306)	(149,393)	(337,924)	(487,317)	-	-	(593)	-	-	-	(593)	(489,216)
Assets transferred (to)/from non-current assets held for sale	(51,077)	-	-	-	(170)	-	-	-	-	-	(170)	(51,247)
Reclassification between PPE classes	164,875	1,301,308	(2,347,814)	(1,046,506)	258,762	-	588,710	-	160	-	847,632	(33,999)
Reclassifications (to)/from intangible assets	-	(53)	(72,249)	(72,302)	25,979	-	-	-	-	-	25,979	(46,323)
Reclassifications (to)/from other assets	(1,996)	81,183	(104,617)	(23,434)	2,582	-	-	-	-	-	2,582	(22,848)
Depreciation expense	(41,919)	(1,887,763)	(1,394,996)	(3,282,759)	(215,536)	-	(213,530)	-	(43,236)	(12,630)	(484,932)	(3,809,610)
Increase/(decrease) in net assets from equity transfer	108,863	-	-	-	-	-	-	-	-	-	-	108,863
Transfer to councils, NSW government agencies & other parties	(2,645)	(220,430)	(373,902)	(594,332)	(15)	-	-	-	-	-	(15)	(596,992)
<b>Restated net carrying amount as at 30 June</b>	<b>3,785,144</b>	<b>122,601,082</b>	<b>56,255,569</b>	<b>178,856,651</b>	<b>1,356,293</b>	<b>-</b>	<b>4,302,822</b>	<b>-</b>	<b>350,725</b>	<b>83,710</b>	<b>6,093,550</b>	<b>188,735,345</b>

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

for the year ended 30 June 2021

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

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

	Infrastructure systems				Total property, plant and equipment \$ '000
	Land and buildings \$ '000	Road and maritime systems \$ '000	Rail systems \$ '000	Plant and equipment \$ '000	
<b>At 30 June 2021</b>					
Gross carrying amount	1,035,373	376,916	19,842	-	1,432,131
Accumulated depreciation and impairment	(741)	-	-	-	(741)
<b>Net carrying amount</b>	<b>1,034,632</b>	<b>376,916</b>	<b>19,842</b>	<b>-</b>	<b>1,431,390</b>
<b>Restated at 30 June 2020</b>					
Gross carrying amount	1,010,204	352,349	634,911	3,316	2,000,780
Accumulated depreciation and impairment	(303)	-	(177,245)	(2,278)	(179,826)
<b>Restated net carrying amount</b>	<b>1,009,901</b>	<b>352,349</b>	<b>457,666</b>	<b>1,038</b>	<b>1,820,954</b>

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

	Infrastructure Systems				Total property, plant and equipment \$ '000
	Land and buildings \$ '000	Road and maritime systems \$ '000	Rail systems \$ '000	Plant and equipment \$ '000	
<b>At 30 June 2021</b>					
Net carrying amount at start of year	1,009,901	352,349	457,666	1,038	1,820,954
Additions	273	-	-	-	273
Recognition of asset	50	-	-	-	50
Disposals	-	-	(72,776)	-	(72,776)
Reclassification between PPE classes	3,968	-	-	(1,038)	2,930
Depreciation expense	(33)	-	-	-	(33)
Revaluation increment/(decrement) recognised in equity	14,405	24,567	-	-	38,972
Net increase in assets from administrative restructure	6,068	-	-	-	6,068
Loss of control of TAHE	-	-	(365,048)	-	(365,048)
<b>Net carrying amount at 30 June 2021</b>	<b>1,034,632</b>	<b>376,916</b>	<b>19,842</b>	<b>-</b>	<b>1,431,390</b>
<b>At 30 June 2020</b>					
Restated carrying amount at start of year	1,015,266	360,359	431,968	1,210	1,808,803
Additions	-	-	10,522	-	10,522
Disposals	(1,221)	-	-	-	(1,221)
Reclassification between PPE classes	28,350	-	5,649	-	33,999
Depreciation expense	(21)	-	(9,440)	(172)	(9,633)
Revaluation increment/(decrement) recognised in equity	(32,473)	(8,010)	18,967	-	(21,516)
<b>Restated net carrying amount at 30 June 2020</b>	<b>1,009,901</b>	<b>352,349</b>	<b>457,666</b>	<b>1,038</b>	<b>1,820,954</b>

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

#### Recognition and measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

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

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

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

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

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

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

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

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

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

<b>Depreciation Rates</b>	<b>Useful Lives</b>
Rail systems	5-100 years
Road systems	7-108 years
Maritime systems	1-100 years
Rolling stock	25-35 years
Buildings	3-100 years
Owned buses	20-25 years
Ferries	20-50 years
Plant and equipment	2-60 years

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

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

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

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

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

Further information on leases is contained at Note 15.

##### (viii) Major inspection costs

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

##### (ix) Restoration costs

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

##### (x) Maintenance

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

##### (xi) Derecognition

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

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

##### (xii) Service concession assets

The consolidated entity has adopted AASB 1059 from 1 July 2020. However, comparatives for the year ended 30 June 2020 have been adjusted retrospectively to reflect AASB 1059. Note 1(i)(i) details changes in the entity's accounting policies and a summary of impacts on the first time adoption. This note provides disclosures required under the new accounting standard and relates to the entity's service concession arrangements in place during the current year.

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

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



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

for the year ended 30 June 2021

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

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

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

<b>Description</b>	<b>Service concession arrangement 1</b>	<b>Service concession arrangement 2</b>
Name & description of SCA	Toll roads (group of SCAs)	Sydney Light Rail (SLR) services
Period of the arrangement	There are a number of toll road SCAs. The period of the concessions range from 28 to 51 years.	From July 2015 until March 2036 (20.8 years for Inner West Light Rail and 15.8 years for CBD & South East Light Rail)
Terms of the arrangement	The consolidated entity has entered contracts with private operators to perform services in exchange for the right to operate (and collect revenue from) a number of toll roads in New South Wales (excluding Sydney Harbour Tunnel, which is a finance liability arrangement). The contracts relate to the following toll roads: M2 Motorway, M5 South-West Motorway, Eastern Distributor, Cross City Tunnel, Westlink M7 Motorway, Lane Cove Tunnel, NorthConnex, and WestConnex.	The consolidated entity has entered into a service contract with a private operator to provide light rail services to public commuters for the Inner West Light Rail and the CBD & South East Light Rail.
Rights and obligations	<p>The operators are responsible for various services including the following: financing, design, construction, operation, maintenance and repair of toll roads. The operators have the right to collect and retain tolls and levies during the concession period. Under some arrangements, the consolidated entity is entitled to a share of the tolling revenue where certain conditions met. At the end of the concession period, the toll road assets are always returned to the consolidated entity.</p> <p>Toll roads are state classified roads for which TfNSW is the road authority under the Roads Act, and therefore has control over the services to be provided. The operators must at all times keep the toll roads open to the public for the continuous passage of vehicular traffic except if it is necessary to close the toll road due to the requirements of any relevant authority or in case of an emergency.</p> <p>The consolidated entity regulates the determination of tolls and establishes pricing policies.</p>	<p>The operator uses the light rail assets to provide light rail services to public commuters over the concession period and cannot derive revenue other than from the service contract. The operator is responsible for preparation of timetables based on service level requirements specified by the consolidated entity. The operator receives monthly service payments for the operation and maintenance of the SLR network.</p> <p>At the end of the concession period the assets are handed back to the consolidated entity. The consolidated entity is responsible for setting fares and establishing fare policies.</p>
Changes in arrangements in 2020	None	Sydney Light Rail was delivered in two stages: Stage 1 (Randwick to Circular Quay) opened to the public in December 2019 and Stage 2 (Kingsford to Circular Quay) opened to the public in April 2020.
Changes in arrangements in 2021	M5 East assets owned by TfNSW were transferred to M8's operator upon M8 being open to traffic in July 20. These assets now form part of the WestConnex SCA.	None

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

for the year ended 30 June 2021

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

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

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

<b>Description</b>	<b>Service concession arrangement 3</b>	<b>Service concession arrangement 4</b>
Name & description of SCA	Sydney Metro North West Line & Sydney Metro City & Southwest	Airport Link contract
Period of the arrangement	September 2014 to May 2034 (19.8 years)	May 2000 to May 2030 (30 years)
Terms of the arrangement	The consolidated entity has entered into a contract with a private operator to provide rail services for the Sydney Metro North West Line and the Sydney Metro City & Southwest Line.	The consolidated entity has entered into an arrangement between TAHE and the Airport Link Company (the operator) to build, operate and maintain four stations on the airport line until 2030.
Rights and obligations	<p>The operator is responsible for the design, construction, operation and maintenance of the North West Line and the Sydney Metro City &amp; Southwest Line (metro lines).</p> <p>Upon construction completion and operational commencement, the operator is required to deliver a safe and reliable metro passenger service. The operator is required to hand back the residual interest of the assets in the project at the end of the project term.</p> <p>The consolidated entity pays consideration for the delivery phase across the project term (i.e. design and construction), and makes payments for operation and maintenance. The consolidated entity is responsible for the regulation of metro services to be provided to the general public.</p>	<p>The operator is responsible for building, operating and maintaining the four airport line stations until 2030. TAHE will take over operation of the stations in 2030.</p> <p>Throughout the concession period, various agreements have been entered into between TAHE and the operator enabling revenue sharing and fee arrangements reliant on the provision of train services.</p>
Changes in arrangements in 2020	The arrangement was renegotiated effective December 2019 such that all operations and maintenance for all metro lines were captured in one deed. As part of the renegotiation, the PPP liability in relation to the Sydney Metro North West line was refinanced resulting in a gain of \$378.2 million.	None
Changes in arrangements in 2021	Change from fixed interest rate to floating interest rate:	Not applicable. From 1 July 2020, TAHE ceased to be a controlled entity and is no longer included in the results of the consolidated entity.

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

for the year ended 30 June 2021

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

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

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

<b>Description</b>	<b>Service concession arrangement 5</b>	<b>Service concession arrangement 6</b>
Name & description of SCA	Ferry system contract	B-Line carparks (group of SCAs)
Period of the arrangement	From July 2019 to July 2028 (9 years with options for termination at year 5 and at year 8 at the consolidated entity's discretion)	There are a number of B-Line carpark SCAs. The period of the concessions is from 30 to 50 years.
Terms of the arrangement	The consolidated entity has entered into a contract with a private operator to provide ferry services to public commuters. The consolidated entity has also entered into leases with the operator for the existing fleet and shipyard.	The consolidated entity has entered into arrangements for the use of car spaces for public commuter car parking at B-Line car parks in Mona Vale, Dee Why, Narrabeen and Warriewood with Northern Beaches Council and at Brookvale with Health Administration Corporation.
Rights and obligations	<p>The operator is responsible for the provision of end-to-end ferry services including planning, managing and operating ferry services on Sydney Harbour and along the Parramatta River. The operator is also responsible for the maintenance of the fleet and related infrastructure, and must hand back all leased assets at the end of term at the arrangement.</p> <p>The consolidated entity is responsible for providing the operator with access to certain core assets to provide ferry services. The consolidated entity funds the capital cost of new ferries and makes payments for operation and maintenance during the contract term. The consolidated entity is responsible for setting fares and taking patronage risk on all services. By the end of the contract term, the consolidated entity can choose to either purchase the ferries or take a novation of the Operator Ferry Charter party in relation to the ferries.</p>	<p>The operators are responsible for the provision of public commuter car parking, and maintenance of the car parks. The operators have the right to collect and retain revenue from the operation of the carparks during the concession period.</p> <p>The consolidated entity is responsible for construction of the carparks and for providing the operators with access to the carparks in order to operate them. The consolidated entity bears a pro rata share of the operators' outgoings in connection with ownership, control, operation, management and maintenance of the premises. At the end of the term, the consolidated entity can continue to occupy the car parks (subject to written consent) or transfer or sublet the arrangement, including to another agency.</p>
Changes in arrangements in 2020	Transdev (formerly operating as Harbour City Ferries) was awarded the contract to continue operating ferry services in Sydney from July 2019. Prior to that, the ferry system contract was operated by Harbour City Ferries on substantially the same terms, and there was no impact to the consolidated entity's assessment of service concession arrangements in 2020.	None
Changes in arrangements in 2021	None	None

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

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

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

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

	Infrastructure systems				Plant and equipment				Total	Total property, plant and equipment
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>At 30 June 2021</b>										
Service concession arrangement 1 – Toll roads	143,913	26,600,439	-	26,600,439	4,921	-	-	-	4,921	26,749,273
Service concession arrangement 2 – SLR services	145,323	-	1,839,732	1,839,732	17,608	650,091	-	-	667,699	2,652,754
Service concession arrangement 3 – Sydney Metro projects	242,632	-	9,204,234	9,204,234	10,194	644,686	-	-	654,880	10,101,746
Service concession arrangement 4 – Airport Link contract <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
Service concession arrangement 5 – Ferry system contract	9,068	-	-	-	3,952	-	-	118,731	122,683	131,751
Service concession arrangement 6 – B-Line carparks	39,021	-	-	-	-	-	-	-	-	39,021
<b>Net carrying amount</b>	<b>579,957</b>	<b>26,600,439</b>	<b>11,043,966</b>	<b>37,644,405</b>	<b>36,675</b>	<b>1,294,777</b>	<b>-</b>	<b>118,731</b>	<b>1,450,183</b>	<b>39,674,545</b>
<b>At 30 June 2020</b>										
Service concession arrangement 1 – Toll roads	111,040	23,296,409	-	23,296,409	5,452	-	-	-	5,452	23,412,901
Service concession arrangement 2 – SLR services	57,649	-	1,845,565	1,845,565	18,905	661,020	-	-	679,925	2,583,139
Service concession arrangement 3 – Sydney Metro projects	233,643	-	8,728,772	8,728,772	10,510	645,348	-	-	655,858	9,618,273
Service concession arrangement 4 – Airport Link contract	176,300	-	-	-	-	-	-	-	-	176,300
Service concession arrangement 5 – Ferry system contract	9,501	-	-	-	4,136	-	-	82,189	86,325	95,826
Service concession arrangement 6 – B-Line carparks	41,790	-	-	-	-	-	-	-	-	41,790
<b>Net carrying amount</b>	<b>629,923</b>	<b>23,296,409</b>	<b>10,574,337</b>	<b>33,870,746</b>	<b>39,003</b>	<b>1,306,368</b>	<b>-</b>	<b>82,189</b>	<b>1,427,560</b>	<b>35,928,229</b>

<sup>1</sup>From 1 July 2020, TAHE ceased to be a controlled entity and is no longer included in the results of the consolidated entity. Refer to Note 29(c).

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

for the year ended 30 June 2021

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

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

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

(a) Initial recognition

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

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

(b) Subsequent to initial recognition

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

(c) At the end of the arrangement

At the end of the service concession arrangement:

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

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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### 15. Leases

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

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

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

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$46.1 million (2020: \$64.1 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right of use assets of (\$39.0 million) (2020: \$2.9 million).

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

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

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

for the year ended 30 June 2021

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

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

**Right of use assets under leases**

	Notes	Land and buildings \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Buses \$ '000	Total \$ '000
<b>Balance at 1 July 2020</b>						
Net carrying amount at start of year		1,088,438	120,565	1,828,550	759,498	3,797,051
Additions		85,670	38,673	-	82,017	206,360
Disposals	4	(48)	-	-	(1,538)	(1,586)
Impairment losses	5	(10,135)	-	-	-	(10,135)
Depreciation	2(e)	(84,908)	(25,454)	(73,785)	(103,541)	(287,688)
Re-measurement of leases		(37,700)	786	-	-	(36,914)
Other movements		(23,224)	(14,485)	-	-	(37,709)
<b>Balance at 30 June 2021</b>		<b>1,018,093</b>	<b>120,085</b>	<b>1,754,765</b>	<b>736,436</b>	<b>3,629,379</b>
<b>Balance at 1 July 2019</b>						
Net carrying amount at start of year		-	-	-	-	-
Reclassification from property, plant and equipment		229,944	4,098	1,904,942	700,845	2,839,829
Reclassification from receivables		9,608	-	-	-	9,608
Recognition of right of use asset on initial application of AASB16		329,947	98,563	-	92,719	521,229
Restated net carrying amount at beginning of the year		569,499	102,661	1,904,942	793,564	3,370,666
Additions		650,909	52,334	-	78,076	781,319
Disposals	4	(6)	(431)	-	(7,509)	(7,946)
Impairment losses	5	(80,810)	-	-	-	(80,810)
Depreciation	2(e)	(59,126)	(33,900)	(74,163)	(104,311)	(271,500)
Other movements		7,972	(99)	(2,229)	(322)	5,322
<b>Restated balance at 30 June 2020</b>		<b>1,088,438</b>	<b>120,565</b>	<b>1,828,550</b>	<b>759,498</b>	<b>3,797,051</b>

The above balance does not include the Sydney Harbour Tunnel finance leases. This is because AASB 16 *Leases* paragraph Aus3.1 excludes the application of AASB 16 to service concession assets that will be recognised under AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 14.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

### 15. Leases (cont'd)

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

##### Lease liabilities

The following table presents liabilities under leases:

	Notes	Consolidated 2021 \$ '000	Consolidated 2020 \$ '000
<b>Balance at 1 July</b>		4,016,283	-
Reclassification from finance leases		-	2,914,067
Recognition of lease liability on initial application of AABS16		-	530,972
<b>Adjusted net carrying amount at beginning of the year</b>		<b>4,016,283</b>	<b>3,445,039</b>
Additions		198,165	796,444
Interest expenses	2(g)	249,531	243,037
Payments		(563,418)	(471,137)
Re-measurement of leases		(39,015)	2,900
Other movements		(1,837)	-
<b>Balance at 30 June</b>	19	<b>3,859,709</b>	<b>4,016,283</b>

The following amounts were recognised in the statement of comprehensive income in respect of leases where the entity is the lessee.

	Notes	Consolidated 2021 \$ '000	Consolidated 2020 \$ '000
Depreciation expense of right-of-use assets	2(e)	287,688	271,836
Interest expense on lease liabilities	2(g)	249,531	243,037
Expense relating to short-term leases	2(b)	2,704	24,053
Expenses relating to leases of low-value assets	2(b)	2,818	5,422
Variable lease payments, not in lease liabilities	2(b)	9,439	9,607
<b>Total amount recognised in the Statement of comprehensive income</b>		<b>552,180</b>	<b>553,955</b>

The consolidated entity had total cash outflows for leases of \$578.3 million (2020: \$510.2 million).

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

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

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

TAHE provides access to certain rolling stock at no charge to the consolidated entity in accordance with the Rail Services Contract until 30 June 2021. The assets are for restricted use given their specialised nature and enable the consolidated entity to provide rail passenger services.

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



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

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

#### **Recognition and measurement**

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

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

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

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

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

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

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

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

The COVID-19 outbreak occurring throughout the 2020 and 2021 financial years had an unprecedented effect on the NSW and global economies. COVID-19 significantly impacted the market rent for office accommodation, and therefore the value of some lease right of use assets in the Statement of financial position.

The consolidated entity has therefore undertaken an impairment assessment for the above right of use assets to determine whether their carrying value exceeded their recoverable amount. The consolidated entity recognised an impairment loss of \$10.1 million (2020: \$80.8 million) on right of use based on their fair value less costs of disposal. Impairment reversals/(losses) for right of use assets are included in Note 5 Other gains/(losses) in the Statement of comprehensive income.

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

for the year ended 30 June 2021

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

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

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

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

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

<b>Asset description</b>	<b>Valuation technique</b>	<b>Key assumptions</b>	<b>Fair value hierarchy of fair value less cost of disposal assessment</b>
Right of use asset – land and buildings	Current replacement cost (CRC) approach – assets are valued based on the net replacement cost of a new equivalent asset with the same geographical market and remaining lease term. The net replacement costs were calculated based on the market rent forecasts from JLL Real Estate Intelligence Services (REIS), or Property NSW's historical rent data for regional markets at the valuation date, where the market rent forecast as at 30 June 2019 was the base year.	Right of use assets are stated at fair value at the time of initial recognition or lease commencement date. Cost of disposals is immaterial. The rent profile (fixed percentage, market rent review, consumer price index (CPI) or combination) at the lease commencement date represents future market rent forecasts. Regional market rents are linked with CPI.	Level 3

The valuation techniques in the table above apply to both 2021 and 2020.

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

	<b>2021 Land and buildings</b>	<b>2021 Total</b>	<b>Restated 2020 Land and buildings</b>	<b>2020 Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Recoverable amount				
Fair value less costs of disposal:				
Level 1	-	-	-	-
Level 2	-	-	-	-
Level 3	1,018,092	1,018,092	1,097,843	1,097,843
<b>Total fair value</b>	<b>1,018,092</b>	<b>1,018,092</b>	<b>1,097,843</b>	<b>1,097,843</b>

The discount rate ranges employed in present value technique computations of recoverable amounts at 30 June 2021 and 30 June 2020 are summarised in the below table.

<b>Recoverable amount</b>	<b>Current measurement discount rates</b>	<b>Previous measurement discount rates</b>
Fair value less cost of disposal – discounted cash flow technique	Internal borrowing rates at the valuation date.	Internal borrowing rates as at 1 July 2019 for any leases recognised upon transition to AASB 16 <i>Leases</i> , or at the lease commencement date if the lease commenced after 1 July 2019.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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### 15. Leases (cont'd)

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

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

##### (iii) Lease liabilities

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

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

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

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

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

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

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

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

## Department of Transport Notes to the financial statements

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### 15. Leases (cont'd)

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

Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the statement of comprehensive income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the entity will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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

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

#### Lessor for finance leases

Future minimum rentals receivable (undiscounted) under non-cancellable finance lease are as follows:

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Within one year	-	2,360
One to two years	-	1,550
Two to three years	-	1,549
Three to four years	-	1,477
Four to five years	-	1,477
Later than five years	-	72,137
<b>Total (excluding GST)</b>	<b>-</b>	<b>80,550</b>

Future minimum rentals receivable under non-cancellable finance lease include nil (2020: \$79.7 million) in TAHE (refer note 29(c)).

#### Reconciliation of net investments in leases

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Future discounted rentals receivable	-	80,550
Unguaranteed residual amounts - undiscounted	-	(54,155)
<b>Net investment in finance leases</b>	<b>-</b>	<b>26,395</b>

Net investment in finance leases include nil (2020: \$26.4 million) in TAHE (refer to Note 29(c)).

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

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

**Department of Transport**  
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for the year ended 30 June 2021

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

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

**Lessor for operating lease**

Future minimum rentals receivables (undiscounted) under non cancellable operating lease as at 30 June 2021. are as follows

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated 2020 \$'000</b>
Within one year	59,233	74,726
One to two years	52,616	66,885
Two to three years	47,610	61,689
Three to four years	40,465	55,165
Four to five years	32,024	49,001
Later than five years	432,478	548,403
<b>Total (excluding GST)</b>	<b>664,426</b>	<b>855,869</b>

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

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

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

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**16. Intangible assets**

Consolidated	Notes	Intangible assets \$'000	Biodiversity credits \$'000	Work in progress \$'000	Total intangibles \$'000
<b>At 30 June 2021</b>					
Cost (gross carrying amount)		1,696,190	76,294	450,231	2,222,715
Accumulated amortisation and impairment		(1,123,293)	-	-	(1,123,293)
<b>Net carrying amount</b>		<b>572,897</b>	<b>76,294</b>	<b>450,231</b>	<b>1,099,422</b>
<b>At 30 June 2020</b>					
Cost (gross carrying amount)		1,990,160	68,648	498,462	2,557,270
Accumulated amortisation and impairment		(1,063,846)	-	-	(1,063,846)
<b>Net carrying amount</b>		<b>926,314</b>	<b>68,648</b>	<b>498,462</b>	<b>1,493,424</b>

<b>At 30 June 2021</b>					
Net carrying amount at start of year		926,314	68,648	498,462	1,493,424
Additions		3,571	12,204	228,572	244,347
Loss of control of TAHE	29(c)	(278,475)	-	(45,430)	(323,905)
Disposals	4	(573)	-	-	(573)
Retirements	21	-	(4,558)	-	(4,558)
Reclassification between intangible assets		101,962	-	(101,962)	-
Reclassifications (to)/from PPE	14	29,520	-	(128,455)	(98,935)
Impairment (losses)/reversals	5	(1,825)	-	-	(1,825)
Amortisation	2(e)	(207,597)	-	-	(207,597)
Increase/(decrease) in net assets from equity transfer	29(a)	-	-	(956)	(956)
<b>Net carrying amount at 30 June</b>		<b>572,897</b>	<b>76,294</b>	<b>450,231</b>	<b>1,099,422</b>

<b>At 30 June 2020</b>					
Net carrying amount at start of year		966,332	79,541	439,055	1,484,928
Additions		7,155	2,105	220,912	230,172
Disposals	4	(153)	-	(4,633)	(4,786)
Retirements	21	-	(12,998)	-	(12,998)
Reclassification between intangible assets		73,156	-	(73,156)	-
Reclassifications (to)/from PPE	14	130,039	-	(83,716)	46,323
Impairment reversals	5	1,670	-	-	1,670
Amortisation	2(e)	(251,885)	-	-	(251,885)
<b>Net carrying amount at 30 June</b>		<b>926,314</b>	<b>68,648</b>	<b>498,462</b>	<b>1,493,424</b>

There were nil (2020: nil) intangible assets held by the parent.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

#### Recognition and measurement

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

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

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

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

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

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

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

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

	Intangible assets \$ '000	Work in progress \$ '000	Total \$ '000
<b>At 30 June 2021</b>			
Service concession arrangement 2 – SLR services	44,980	-	44,980
Service concession arrangement 5 – Ferry system contract	26,166	225	26,391
Net carrying amount	<b>71,146</b>	<b>225</b>	<b>71,371</b>
<b>At 30 June 2020</b>			
Service concession arrangement 2 – SLR services	48,139	-	48,139
Service concession arrangement 5 – Ferry system contract	26,403	697	27,100
Net carrying amount	<b>74,542</b>	<b>697</b>	<b>75,239</b>

#### (a) Initial recognition

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

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

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

for the year ended 30 June 2021

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

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

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

**(b) Subsequent to initial recognition**

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

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

At the end of the service concession arrangement:

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



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

for the year ended 30 June 2021

**17. Fair value measurement of non-financial assets**

**(a) Fair value hierarchy**

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

2021	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>Land and buildings</b>	<b>14</b>	-	4,358,319	895,181	5,253,500
Plant and equipment		-	-	21,823	21,823
Rolling stock		-	-	1,591,127	1,591,127
Buses		-	-	330,649	330,649
Ferries		-	-	101,109	101,109
<b>Plant and equipment</b>	<b>14</b>	-	-	2,044,708	2,044,708
Road and maritime systems		-	-	115,450,899	115,450,899
Rail systems		-	-	11,131,747	11,131,747
<b>Infrastructure systems</b>	<b>14</b>	-	-	126,582,646	126,582,646
<b>Non-current assets held for sale</b>	<b>12</b>	-	36,200	-	36,200
		-	4,394,519	129,522,535	133,917,054

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2020.

Restated 2020	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>Land and buildings</b>	<b>14</b>	-	3,624,794	711,495	4,336,289
Plant and equipment		-	707	268,911	269,618
Rolling stock		-	-	3,485,952	3,485,952
Buses		-	-	347,740	347,740
Ferries		-	-	63,880	63,880
<b>Plant and equipment</b>	<b>14</b>	-	707	4,166,483	4,167,190
Road and maritime systems		-	-	100,916,373	100,916,373
Rail systems		-	-	45,669,358	45,669,358
<b>Infrastructure systems</b>	<b>14</b>	-	-	146,585,731	146,585,731
<b>Non-current assets held for sale</b>	<b>12</b>	-	55,305	-	55,305
		-	3,680,806	151,463,709	155,144,515

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

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

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

#### **Recognition and measurement**

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

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

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

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

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

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

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

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

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

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

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

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

### (c) Valuation processes and inputs

The consolidated entity engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets at the end of the reporting period, at least every 5 years. During the 2021 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:

- Certain land and buildings in TfNSW were valued by Country Coast Valuers and Aspect Property Consultants Pty Ltd.
- Sydney Light Rail assets were valued by Aon Risk Services Pty Ltd.

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

- Sydney Metro North West rail assets (excluding land) were valued by AECOM.
- Sydney Metro North West land assets were valued by Jones Lang LaSalle Advisory Services.
- Newcastle Light Rail and Inner West Light Rail assets were valued by Marsh Pty Ltd.
- Service concession toll road assets comprising roads, bridges, traffic control and plant equipment were valued by E3 Advisory.
- Roads and bridges were indexed by the Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI) for interim revaluations. For land under roads and tracks, the latest available Valuer General's urban average rateable values by Local Government Area were applied. For traffic controls network, traffic signals network and maritime assets, a letter of assurance was obtained by external qualified valuers.

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

- **Land and buildings** - acquisition cost, sale prices for comparable properties, rate per square metre of land area, land size, replacement building costs are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each property, adjusted for the specific attributes of the property being revalued, such as location, land use, landing values applying in the locality and taking into consideration the implications of the applicable existing lease over the property. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry. Construction costs incurred are determined by management in accordance with applicable Australian Accounting Standards. Land and buildings measured at level 3 include service concession buildings for toll roads.
- **Plant and equipment** – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.
- **Light rail infrastructure and rolling stock** - replacement costs, construction project costs, length of the tracks, overhead power and stabling yards, number of stops/stations, economic working lives of the assets, expired and remaining economic life, depreciation methods, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Trackwork and other rail infrastructure assets** – raw materials and labour rates, pricing for tracks/wiring, construction methodology, structural foundations, and other specific allowances were estimated by the external valuer to establish the optimised replacement cost of each asset, taking into consideration historical data, existing assets and current railway infrastructure technologies. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry.
- **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.

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

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

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

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

During the year, the consolidated entity transferred land and buildings and infrastructure assets in TfNSW between level 2 and level 3.

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

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

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

	Land and buildings \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Buses \$ '000	Ferries \$ '000	Road and maritime systems \$ '000	Rail systems \$ '000	Total \$ '000
<b>At 30 June 2021</b>								
Restated fair value at start of year	711,495	268,911	3,485,952	347,740	63,880	100,916,373	45,669,358	151,463,709
Additions	-	315	-	30,080	27,373	1,904,722	414,166	2,376,656
Revaluation increment/(decrement) recognised in equity	(38,415)	-	30,619	-	-	234,482	260,960	487,646
Transfer (to)/from Level 2	287,483	-	-	-	-	(199,573)	-	87,910
Transfer to councils, NSW government agencies & other parties	(29,244)	-	-	-	-	(14,434)	(25,300)	(68,978)
Recognition of assets	2,471	-	-	-	-	493	-	2,964
Disposals	(4,758)	(61)	-	(2,068)	-	(354,259)	-	(361,146)
Loss of control of TAHE	(713)	(244,433)	(1,867,247)	-	-	-	(34,918,907)	(37,031,300)
Depreciation expense	(28,402)	(4,374)	(58,303)	(45,103)	(10,682)	(2,210,845)	(245,810)	(2,603,519)
Other movements	-	-	-	-	2,344	-	118,568	120,912
Reclassification between PPE classes	(6,645)	1,465	106	-	18,194	14,305,524	(141,288)	14,177,356
Increase in net assets from administrative restructures	1,909	-	-	-	-	868,416	-	870,325
<b>Fair value at 30 June</b>	<b>895,181</b>	<b>21,823</b>	<b>1,591,127</b>	<b>330,649</b>	<b>101,109</b>	<b>115,450,899</b>	<b>11,131,747</b>	<b>129,522,535</b>

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

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

	Land and buildings	Plant and equipment	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
<b>At 30 June 2020</b>											
Fair value at start of year	797,468	133,267	700,845	2,881,870	320,963	72,298	1,904,942	86,394,111	42,010,186	2,422,702	137,638,652
Restatement of infrastructure assets	-	-	-	-	-	-	-	(1,101,614)	-	-	(1,101,614)
Reclassification to right of use asset	(229,944)	-	(700,845)	-	-	-	(1,904,942)	-	-	-	(2,835,731)
Net adjustment on initial application of AASB 1059	144,781	-	-	-	-	-	-	14,159,547	184,662	(2,422,702)	12,066,288
Restated fair value at start of year	712,305	133,267	-	2,881,870	320,963	72,298	-	99,452,044	42,194,848	-	145,767,595
Additions	24,460	427	-	18,925	66,923	3,295	-	158,067	505,107	-	777,204
Revaluation increment/(decrement) recognised in equity	12,965	-	-	22,655	-	917	-	2,223,398	2,483,258	-	4,743,193
Transfer (to)/from Level 2	(41,164)	-	-	-	-	-	-	14,239	(1,744)	-	(28,669)
Transfer to councils, NSW government agencies & other parties	(2,645)	-	-	-	-	-	-	(1,462)	(354,829)	-	(358,936)
Recognition of assets	-	-	-	-	-	-	-	83,235	-	-	83,235
Assets transferred (to)/from non-current assets held for sale	(13,938)	-	-	-	-	-	-	-	-	-	(13,938)
Disposals	(7,793)	(966)	-	(593)	(2,190)	-	-	(103)	(133,862)	-	(145,507)
Depreciation expense	(15,722)	(30,370)	-	(213,530)	(43,236)	(12,630)	-	(1,704,123)	(1,404,434)	-	(3,424,045)
Other movements	-	-	-	-	-	-	-	(14,286)	(337,924)	-	(352,210)
Reclassification (to)/from other assets	36,868	80,804	-	676,503	5,280	-	-	(345,886)	1,996,042	-	2,449,611
Reclassification between PPE classes	(7,477)	85,749	-	100,122	-	-	-	1,051,250	722,896	-	1,952,540
Increase/(decrease) in net assets from equity transfer	13,636	-	-	-	-	-	-	-	-	-	13,636
<b>Restated fair value at 30 June</b>	<b>711,495</b>	<b>268,911</b>	<b>-</b>	<b>3,485,952</b>	<b>347,740</b>	<b>63,880</b>	<b>-</b>	<b>100,916,373</b>	<b>45,669,358</b>	<b>-</b>	<b>151,463,709</b>

## Department of Transport Notes to the financial statements

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### 18. Payables

	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Trade creditors	138,578	160,731	-	-
Accrued salaries, wages and on-costs	95,925	89,616	2	3
Accruals	2,551,276	1,958,564	243	256
Interest	-	24,096	-	-
Creditors arising from compulsory acquisitions	1,639,877	38,013	-	-
Other creditors	80,203	47,453	-	-
<b>Current payables</b>	<b>4,505,859</b>	<b>2,318,473</b>	<b>245</b>	<b>259</b>
Accruals	354,684	181,311	-	-
<b>Non-current payables</b>	<b>354,684</b>	<b>181,311</b>	<b>-</b>	<b>-</b>

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

#### Recognition and measurement

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

### 19. Borrowings

	Notes	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
TCorp borrowings <sup>1</sup>		-	87,730	-	-
Lease liabilities	15	257,650	255,451	-	-
Service concession financial liabilities <sup>2</sup>		1,913,760	1,564,070	-	-
Financial liabilities at fair value		1,136	4,464	-	-
<b>Current borrowings</b>		<b>2,172,546</b>	<b>1,911,715</b>	<b>-</b>	<b>-</b>
TCorp borrowings <sup>1</sup>		-	2,416,809	-	-
Lease liabilities	15	3,602,059	3,760,832	-	-
Service concession financial liabilities <sup>2</sup>		3,500,573	4,609,613	-	-
Financial liabilities at fair value		1,676	2,880	-	-
<b>Non-current borrowings</b>		<b>7,104,308</b>	<b>10,790,134</b>	<b>-</b>	<b>-</b>

<sup>1</sup>In the prior year, TCorp borrowings held by TAHE were included in the results of the consolidated entity. Refer to Note 29(c).

<sup>2</sup>Service concession financial liabilities relate to contractual payments to be made to the third party operator, refer to Note 14 for further details on the consolidated entity's service concession arrangements.

#### Repayment of borrowings

	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Not later than one year	2,172,546	1,911,715	-	-
Later than one year and not later than five years	2,036,689	4,724,191	-	-
Later than five years	5,067,619	6,065,943	-	-
<b>Repayment of borrowings</b>	<b>9,276,854</b>	<b>12,701,849</b>	<b>-</b>	<b>-</b>

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

## **19. Borrowings**

### **Recognition and measurement**

#### **(i) Borrowings**

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

The service concession financial liability represents the contractual obligation to pay the operator as compensation for providing the service concession asset. It is measured as a liability in accordance with AASB 9 *Financial Instruments*. Interest is charged on the service concession financial liability and recognised in interest expense, based on the interest rate implicit in the arrangement. The liability is reduced over the term of the arrangement through cash payments to the operator. The carrying amount of the service concession financial liabilities at the transition date of 1 July 2019 have been calculated based on the present value of future payments using discount rates provided by NSW Treasury as at transition date.

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

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

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

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

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

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

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

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



# Department of Transport

## Notes to the financial statements

for the year ended 30 June 2021

### 19. Borrowings (cont'd)

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

##### (iii) Financial guarantees

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

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

The consolidated entity has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2021 and as at 30 June 2020. However, refer to Note 24 regarding disclosures on contingent liabilities.

#### Changes in liabilities arising from financing activities

	TCorp borrowings	Lease liabilities	Service concession arrangements	Financial liabilities at fair value	Financial liabilities at amortised cost	Finance leases	Total liabilities from financing activities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	2,504,539	4,016,283	6,173,683	7,344	-	-	12,701,849
Cash flows	-	(563,418)	(779,036)	-	-	-	(1,342,454)
Additions during the year <sup>1</sup>	-	198,165	305,737	-	-	-	503,902
Loss of control of TAHE	(2,504,539)	-	(260,100)	-	-	-	(2,764,639)
Transfer (to)/from GORTO liability	-	-	(24,514)	-	-	-	(24,514)
Interest expense	-	249,531	-	-	-	-	249,531
Re-measurement of leases	-	(39,015)	-	-	-	-	(39,015)
Other	-	(1,837)	(1,437)	(4,532)	-	-	(7,806)
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>3,859,709</b>	<b>5,414,333</b>	<b>2,812</b>	<b>-</b>	<b>-</b>	<b>9,276,854</b>
Balance at 1 July 2019	2,519,928	-	-	1,286	1,833,630	3,158,642	7,513,486
Recognition on application of AASB 16	-	3,445,039	-	-	-	(2,914,067)	530,972
Recognition on application of AASB 1059	-	-	6,299,745	-	(1,833,630)	(244,575)	4,221,540
<b>Restated balance at 1 July 2019</b>	<b>2,519,928</b>	<b>3,445,039</b>	<b>6,299,745</b>	<b>1,286</b>	<b>-</b>	<b>-</b>	<b>12,265,998</b>
Cash flows	5,230	(471,137)	(189,497)	-	-	-	(655,404)
Additions during the year <sup>1</sup>	-	796,444	695,446	-	-	-	1,491,890
Interest expense	-	243,037	-	-	-	-	243,037
Transfer (to)/from GORTO liability	-	-	(131,240)	-	-	-	(131,240)
Refinancing gains <sup>2</sup>	-	-	(437,627)	-	-	-	(437,627)
Re-measurement of leases	-	2,900	-	-	-	-	2,900
Other <sup>3</sup>	(20,619)	-	(63,144)	6,058	-	-	(77,705)
<b>Restated balance at 30 June 2020</b>	<b>2,504,539</b>	<b>4,016,283</b>	<b>6,173,683</b>	<b>7,344</b>	<b>-</b>	<b>-</b>	<b>12,701,849</b>

<sup>1</sup>Additions to service concession arrangements in 2021 mainly relate to the Sydney Metro City and Southwest project. Additions in 2020 mainly related to the WestConnex Stage 3A, Sydney Light Rail and Sydney Metro City & Southwest projects.

<sup>2</sup>\$437.6 million in 2020 relates to a gain on refinancing of Sydney Metro Northwest debt.

<sup>3</sup>Other in 2020 includes non-cash accretion of interest and re-measurement of service concession financial liabilities.

There were no changes in liabilities from financing activities arising in respect of the Parent (2020: none).

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

### 20. Employee benefits

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Annual leave <sup>1</sup>	440,109	392,223	13	174
Long service leave <sup>1</sup>	447,073	438,510	-	53
Workers compensation insurance	21,777	23,642	-	-
Payroll tax	7,966	7,893	-	-
Public holidays	14,075	12,936	-	-
Severance payments/redundancies	32,964	15,013	-	-
<b>Current employee benefits and related on-costs</b>	<b>963,964</b>	<b>890,217</b>	<b>13</b>	<b>227</b>
Long service leave	38,305	34,742	-	-
Workers compensation insurance	73,738	92,590	-	-
Superannuation	876,429	1,215,272	-	-
<b>Non-current employee benefits and related on-costs</b>	<b>988,472</b>	<b>1,342,604</b>	<b>-</b>	<b>-</b>

<sup>1</sup> It is estimated that the provision for annual leave includes \$190.5 million (2020: \$141.6 million) and the provision for long service leave includes \$440 million (2020: \$422.8 million) that is 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). Consistent with Treasury guidance, the consolidated entity uses a nominal approach plus the annual leave on annual leave liability using certain rate factors (including 8.4% of the nominal value of annual leave as advised by Treasury) to approximate the present value of the annual leave liability. The consolidated entity has determined that the effect of discounting is immaterial to annual leave.

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

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

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

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

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

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

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

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

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

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

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

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

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

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

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

#### Defined-benefit superannuation overview

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

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.

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

for the year ended 30 June 2021

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

<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
<b>Member numbers</b>				
Contributors	1,387	1,388	1	
Deferred benefits	-	-	-	
Pensioners	637	-	20	
Pensions fully commuted	-	-	2	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation position for AASB 119 purposes</b>				
Accrued liability <sup>1</sup>	1,975,091	139,323	29,545	2,143,959
Estimated reserve account balance	(1,149,934)	(100,223)	(17,373)	(1,267,530)
<b>Deficit/(surplus)</b>	<b>825,157</b>	<b>39,100</b>	<b>12,172</b>	<b>876,429</b>
Future service liability <sup>2</sup>	17,133	31,771	63	48,967
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>825,157</b>	<b>39,100</b>	<b>12,172</b>	<b>876,429</b>
<b>Year ended 30 June 2020</b>				
<b>Member numbers</b>				
Contributors	1,521	1,523	2	
Deferred benefits	-	-	-	
Pensioners	955	-	40	
Pensions fully commuted	-	-	2	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation position for AASB 119 purposes</b>				
Accrued liability <sup>1</sup>	2,316,960	151,862	81,131	2,549,953
Estimated reserve account balance	(1,208,269)	(92,153)	(34,259)	(1,334,681)
<b>Deficit/(surplus)</b>	<b>1,108,691</b>	<b>59,709</b>	<b>46,872</b>	<b>1,215,272</b>
Future service liability <sup>2</sup>	26,285	34,324	340	60,949
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>1,108,691</b>	<b>59,709</b>	<b>46,872</b>	<b>1,215,272</b>

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%.

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)
- State Authorities Non-contributory Superannuation Scheme (SANCS)
- Police Superannuation Scheme (PSS) – liability assumed by the Crown

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

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

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

All the Schemes are closed to new members.

- **Description of the regulatory framework**

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

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

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

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

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

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

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

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

- **Description of risks**

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

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

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

for the year ended 30 June 2021

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

• **Description of risks (cont'd)**

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

• **Description of significant events**

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

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

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

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

<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Net defined benefit liability/(asset) at start of year	1,115,370	54,827	46,935	1,217,132
Current service cost	13,331	5,214	131	18,676
Net interest on the net defined benefit liability/(asset)	14,471	692	615	15,778
Actual return on Fund assets less Interest income	(11,532)	(1,061)	(352)	(12,945)
Actuarial (gains)/losses arising from changes in financial assumptions	55,246	4,562	394	60,202
Actuarial (gains)/losses from liability experience	(40,050)	246	(137)	(39,941)
Employer contributions	(38,145)	(4,771)	(714)	(43,630)
<b>Net defined benefit liability/(asset) at end of year</b>	<b>1,108,691</b>	<b>59,709</b>	<b>46,872</b>	<b>1,215,272</b>

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

for the year ended 30 June 2021

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

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

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

<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Fair value of fund assets at beginning of the year	1,268,699	98,784	35,317	1,402,800
Interest income	16,117	1,226	452	17,795
Actual return on Fund assets less Interest income	11,532	1,061	352	12,945
Employer contributions	38,145	4,771	714	43,630
Contributions by participants	10,085	-	25	10,110
Benefits paid	(121,842)	(13,021)	(2,736)	(137,599)
Taxes, premiums & expenses paid	(14,467)	(668)	135	(15,000)
<b>Fair value of fund assets at end of the year</b>	<b>1,208,269</b>	<b>92,153</b>	<b>34,259</b>	<b>1,334,681</b>

• **Reconciliation of the defined benefit obligation**

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

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

for the year ended 30 June 2021

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

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

<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Present value of defined benefit obligations at beginning of the year	2,384,069	153,611	82,252	2,619,932
Current service cost	13,331	5,214	131	18,676
Interest cost	30,588	1,918	1,067	33,573
Contributions by participants	10,085	-	25	10,110
Actuarial (gains)/losses arising from changes in financial assumptions	55,246	4,562	394	60,202
Actuarial (gains)/losses from liability experience	(40,050)	246	(137)	(39,941)
Benefits paid	(121,842)	(13,021)	(2,736)	(137,599)
Taxes, premiums & expenses paid	(14,467)	(668)	135	(15,000)
<b>Present value of defined benefit obligations</b>	<b>2,316,960</b>	<b>151,862</b>	<b>81,131</b>	<b>2,549,953</b>

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

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

<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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



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

• **Fair value of fund assets**

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

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

Year ended 30 June 2020	Total	Quoted prices	Significant	Unobservable
		in active	observable	inputs
Asset category	\$ '000	markets for	Level 2	Level 3
		identical assets	\$ '000	\$ '000
		Level 1		
		\$ '000		
Short term securities	4,096,298	1,889,511	2,206,787	-
Australian fixed interest	1,066,748	-	1,066,748	-
International fixed interest	1,909,423	30,408	1,879,015	-
Australian equities	7,294,211	6,901,927	392,284	-
International equities	11,950,330	11,487,308	463,022	-
Property	3,352,766	644,805	16,266	2,691,695
Alternatives	10,522,833	23,408	4,337,075	6,162,350
<b>Total</b>	<b>40,192,609</b>	<b>20,977,367</b>	<b>10,361,197</b>	<b>8,854,045</b>

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

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

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

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

- Fair value of fund assets (cont'd)

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

	2021	2020
	%	%
Short term securities	12.2	10.2
Australian fixed interest	2.2	2.7
International fixed interest	4.2	4.8
Australian equities	19.9	18.1
International equities	33.2	29.7
Property	7.9	8.3
Alternatives	20.4	26.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

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

- Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets as at 30 June 2021 include \$41.4 million (2020: \$36.9 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 \$328 million (30 June 2020: \$340 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$443 million (30 June 2020: \$343 million).

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

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

	<b>2021</b>	<b>2020</b>
Discount rate	1.50% pa	0.87% pa
Salary increase rate (excluding promotional increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter	3.20% pa
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.	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.

**Department of Transport**  
**Notes to the financial statements**  
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**20. Employee benefits (cont'd)**

• **Sensitivity analysis**

The entity's total defined benefit obligation as at 30 June 2021 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2021.

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

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

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

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

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

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for the year ended 30 June 2021

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

• **Sensitivity analysis (cont'd)**

The entity's total defined benefit obligation as at 30 June 2020 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 2020	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	2,549,952	2,710,039	2,406,055
	<b>Base case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Rate of CPI increase			
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	2,549,952	2,666,788	2,443,552
	<b>Base case</b>	<b>Scenario E +0.5% Salary increase rate</b>	<b>Scenario F -0.5% Salary increase rate</b>
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate			
Defined benefit obligation (\$'000)	2,549,952	2,586,240	2,515,090
	<b>Base case</b>	<b>Scenario G Higher pensioner mortality rates <sup>1</sup></b>	<b>Scenario H Lower pensioner mortality rates <sup>2</sup></b>
Defined benefit obligation (\$'000)	2,549,952	2,596,471	2,525,433

<sup>1</sup> Assumes the short term pensioner mortality improvement factors for years 2020 - 2023 also apply for years after 2023

<sup>2</sup> Assumes the long term pensioner mortality improvement factors for years post-2023 also apply for years 2020 - 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.

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

for the year ended 30 June 2021

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

• **Funding arrangements**

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

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

• **Surplus/deficit**

The following is a summary of the 30 June 2021 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities* (AASB 1056):

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

<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Accrued benefits*	1,343,103	107,555	37,621	1,488,279
Net market value of fund assets	(1,208,269)	(92,153)	(34,259)	(1,334,681)
<b>Net (surplus)/deficit</b>	<b>134,834</b>	<b>15,402</b>	<b>3,362</b>	<b>153,598</b>

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

• **Contribution recommendations**

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

<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>% p.a.</b>	<b>% p.a.</b>	<b>% p.a.</b>
Different contributions are recommended for each entity in the consolidated entity. The contributions rates were:			
STA Employment Group (Transport Services)	n/a	n/a	n/a

## 20. Employee benefits (cont'd)

- Economic assumptions**

The economic assumptions adopted for the 30 June 2021 AASB 1056 are:

<b>Weighted-average assumptions</b>	<b>2021</b>	<b>2020</b>
Expected rate of return on Fund assets backing current pension liabilities	6.5% pa	7.0% pa
Expected rate of return on Fund assets backing other liabilities	5.7% pa	6.0% pa
Expected salary increase rate (excluding promotional salary increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter	3.2% pa
Expected rate of CPI increase	2.0% pa	2.0% pa

- Sensitivity analysis – accrued benefits**

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

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

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

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

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

  

<b>Year ended 30 June 2020</b>	<b>Base case</b>	<b>Scenario A -0.5% return</b>	<b>Scenario B +0.5% return</b>
Expected rates of return on Fund assets	7.0%/6.0%	6.5%/5.5%	7.5%/6.5%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued Benefits (\$'000)	1,488,278	1,534,751	1,445,220

**Department of Transport**  
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**20. Employee benefits (cont'd)**

• **Expected contributions**

<b>Year ended 30 June 2022</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Expected employer contributions	21,816	252	-	22,068
<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Expected employer contributions	32,141	285	-	32,426

• **Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation is 13 years (2020: 12 years).

• **Profit and loss impact**

<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Current service cost	10,631	4,912	182	15,725
Net interest	7,950	487	148	8,585
<b>Defined benefit cost</b>	<b>18,581</b>	<b>5,399</b>	<b>330</b>	<b>24,310</b>
<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Current service cost	13,331	5,214	131	18,676
Net interest	14,471	692	615	15,778
<b>Defined benefit cost</b>	<b>27,802</b>	<b>5,906</b>	<b>746</b>	<b>34,454</b>

• **Other comprehensive income**

<b>Year ended 30 June 2021</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Actuarial (gains) losses on liabilities	30,135	(7,496)	(3,434)	19,205
Actual return on Fund assets less Interest income	(124,349)	(10,923)	(1,927)	(137,199)
<b>Total remeasurement in other comprehensive income</b>	<b>(94,214)</b>	<b>(18,419)</b>	<b>(5,361)</b>	<b>(117,994)</b>
<b>Year ended 30 June 2020</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Actuarial (gains) losses on liabilities	15,196	4,808	256	20,260
Actual return on Fund assets less Interest income	(11,532)	(1,061)	(352)	(12,945)
<b>Total remeasurement in other comprehensive income</b>	<b>3,664</b>	<b>3,747</b>	<b>(96)</b>	<b>7,315</b>



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**21. Other provisions**

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated 2020 \$'000</b>	<b>Parent 2021 \$'000</b>	<b>Parent 2020 \$'000</b>
Airport Line asset replacement <sup>1</sup>	-	1,972	-	-
Ballast disposal <sup>1</sup>	846	914	-	-
Land and buildings remediation	8,312	20,846	-	-
Lease make good costs	4,954	8,586	-	-
Legal and related claims <sup>1</sup>	1,692	4,651	-	-
Property reimbursement claims <sup>1</sup>	2,282	1,534	-	-
Public liability claims <sup>1</sup>	3,844	4,957	-	-
Integrated Station Development payment obligations	31,069	32,002	-	-
Other <sup>1</sup>	36,684	77,574	-	-
<b>Current other provisions</b>	<b>89,683</b>	<b>153,036</b>	-	-
Land and buildings remediation	24,658	19,508	-	-
Lease make good costs	31,741	29,882	-	-
Provision for biodiversity	2,642	5,591	-	-
Other <sup>1</sup>	-	3,781	-	-
<b>Non-current other provisions</b>	<b>59,041</b>	<b>58,762</b>	-	-

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

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

**Movement in other provisions**

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

	<b>Land and buildings remediation</b>	<b>Lease make good costs</b>	<b>Integrated Station Development payment obligations</b>	<b>Provision for biodiversity</b>	<b>Others</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at the beginning of the financial year	40,354	38,468	32,002	5,591	95,383	211,798
Additional provision recognised	9,204	5,081	17	1,609	75,282	91,193
Loss of control of TAHE	(11,465)	-	-	-	(5,423)	(16,888)
Net increase in provisions from administrative restructure	1,759	-	-	-	-	1,759
Amounts used	-	(6,229)	-	(4,558)	(113,789)	(124,576)
Unused amounts reversed	(6,553)	(2,468)	(950)	-	(6,677)	(16,648)
Unwinding/change in discount rate	(329)	1,843	-	-	572	2,086
<b>Carrying amount at the end of the financial year</b>	<b>32,970</b>	<b>36,695</b>	<b>31,069</b>	<b>2,642</b>	<b>45,348</b>	<b>148,724</b>

**Land and buildings remediation**

The provision of \$33.0 million (2020: \$40.4 million) comprises provisions for contaminated land of \$33.0 million (2020: \$35.0m). The prior year provision included \$5.4 million in relation to remediation of asbestos contamination in TAHE and is nil in the current year following the loss of control of TAHE (refer note 29(c)). The provision for contaminated land includes \$25.5 million (2020: \$18.0 million) in relation to work required for Sydney Metro projects. In the prior year, a provision of \$9.9 million (2021: nil) was made in relation to the Parramatta Light Rail project for the clearing of industrial waste from previous usage of certain sites.

**Lease make good**

The lease made good provision of \$36.7 million (2020: \$38.5 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.

**Integrated Station Development payment obligations**

The provision of \$31.1 million (2020: \$32.0 million) represents future payment obligations in relation to Sydney Metro Integrated Station Development arrangements.

**Biodiversity**

The provision of \$2.6 million (2020: \$5.6 million) recognises the best estimate of the expenditure required to settle biodiversity credits arising from construction works as well as maintain the required level of biodiversity on land.

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

### **Other provisions**

Other provisions of \$45.3 million (2020: \$95.4 million) include the following:

- \$4.0 million (2020: \$6.4 million) provision for insurance claims to recover the consolidated entity's cost of repair to damaged rolling stock currently under lease with Reliance Rail.
- \$1.7 million (2020: \$4.7 million) legal and related claims provision for 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.
- \$0.8 million (2020: \$0.9 million) ballast disposal provision for legal obligations in relation to the disposal of non-recyclable landfill and materials arising from ballast recycling operations. The liability was assessed at 30 June 2021 (2020: 30 June 2020) by management after investigation of stockpiles at the Chullora site. The timing of the liability is inherently uncertain due to the timing of future disposal.
- In the prior year, other provisions included \$3.0 million relating to the legal obligation in TAHE to restore quarry sites when operations cease and \$2.0 million relating to the contractual obligation to fund the renewal of major track and tunnel assets on the Airport Line. These provisions are both nil in the current year following the loss of control of TAHE (refer note 29(c)).
- 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.

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

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

for the year ended 30 June 2021

**22. Other liabilities**

	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Statutory creditors	14,850	13,897	-	-
Sydney Harbour Tunnel tax liabilities	4,686	4,631	-	-
Holding accounts <sup>1</sup>	283,500	294,412	-	-
Grant of right to operate liability under service concessions <sup>2</sup>	547,888	460,773	-	-
Income received in advance	7,874	13,112	-	-
Liability for former employees' leave entitlements	2,023	2,274	-	-
Contribution from Sydney City Council for light rail	-	178,900	-	-
<b>Current other liabilities</b>	<b>860,821</b>	<b>967,999</b>	-	-
Sydney Harbour Tunnel tax liabilities	3,322	7,741	-	-
Grant of right to operate liability under service concessions <sup>2</sup>	16,797,694	14,518,004	-	-
Other	2,873	2,913	-	-
<b>Non-current other liabilities</b>	<b>16,803,889</b>	<b>14,528,658</b>	-	-

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

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

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

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

### 23. Commitments for expenditure

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2019 \$'000	Parent 2018 \$'000
<b>(a) Capital commitments</b>				
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:				
Not later than one year	7,872,066	6,868,256	-	-
Later than one year and not later than five years	6,574,605	7,336,526	-	-
Later than five years	30,226	1,500	-	-
<b>Total (including GST)</b>	<b>14,476,897</b>	<b>14,206,282</b>	<b>-</b>	<b>-</b>
<b>(b) Other public and private partnerships contract commitments</b>				
Not later than one year	92,217	92,236	-	-
Later than one year and not later than five years	369,979	377,963	-	-
Later than five years	1,874,728	2,052,009	-	-
<b>Total (including GST)</b>	<b>2,336,924</b>	<b>2,522,208</b>	<b>-</b>	<b>-</b>

Input tax on all commitments estimated at \$1,528.5 million (2020: \$1,520.8 million) (parent entity: nil (2020: nil)) will be recouped from the Australian Taxation Office. Other public and private partnerships contract commitments represent future payments relating to maintenance and other future payments as at 30 June 2020.

### 24. Contingent assets and contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 (2020: nil). The consolidated entity had contingent liabilities and contingent assets at 30 June 2021 in respect of:

#### (a) Public Private Partnership arrangements

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

Transport for NSW has certain obligations under contracts with private sector parties with the performance of these obligations guaranteed by the State. 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. These guarantees are unlikely to ever be exercised.

#### (b) Litigation

Transport for NSW has a number of compulsory property acquisition matters under litigation where claims differ from the Valuer General's determined amount. These have an estimated contingent liability of \$127.5 million (June 2020: \$1,037.0 million) and are net of Treasury Managed Fund (TMF) reimbursements. Sydney Metro also has a number of litigation proceedings in relation to property acquisitions for the Metro City & Southwest project. The amount of liability (if any) that may arise in relation to these disputes cannot be measured reliably at this time.

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

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

Transport for NSW has several contractual disputes with an estimated total contingent liability of \$450.3 million (June 2020: \$398.5 million). There are a number of other contractual claims that have arisen from the normal course of business. The amount of the liability that may arise from these claims cannot be measured reliably at this time. There is significant uncertainty as to whether a future liability will arise in respect to these items.

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

There was a dispute in relation to contractual claims and counterclaims relating to the Sydney Metro Northwest project. A non-binding decision was made by the Dispute Avoidance Board (DAB) in relation to that dispute. Both parties have a right to appeal to arbitration against the decision of the DAB. No appeal had been lodged as at 30 June 2021, however a notice of arbitration without supporting documentation was received on 20 July 2021. Accordingly, there is significant uncertainty as to the extent and amount of any potential financial outcome (either liability or amount recoverable by Sydney Metro) that will arise in relation to these disputes.

Sydney Metro has contractual, variation and escalation claims that have been made by contractors engaged on the City & Southwest project in the ordinary course of business with an estimated total contingent liability of \$94.6 million (2020: nil). There are also a number of other contractual claims and variations that have arisen on the City & Southwest project. The amount of the liability that may arise from these other claims and variations cannot be measured reliably at this time, and there is significant uncertainty as to whether a future liability will arise in respect to these items.

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

#### (c) Letter of comfort

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability for a period of at least 12 months from the date that the 30 June 2021 Prime return for OTSI is submitted. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to the Government.

The Government has announced that private sector operators will be invited to compete to run bus services in the Eastern, Western and Northern Region. Due to the fact that STA's principal activities will not operate for a full 12 months in the 2021-22 financial year, all its non-current assets and liabilities have been reclassified as current at 30 June 2021. STA's balance sheet is presented on a liquidity basis. The operations and ability of STA to pay its debts are assured, despite total liabilities exceeding total assets at year end, due to monthly payments for bus services contracts from TfNSW. STA received a Letter of Comfort from NSW Treasury.

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

for the year ended 30 June 2021

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

**(d) Other matters**

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

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

Transport for NSW has also made a number of claims with an estimated total contingent asset of \$8.5 million (June 2020: \$4.4 million).

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

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated Restated 2020 \$'000</b>	<b>Parent 2021 \$'000</b>	<b>Parent 2020 \$'000</b>
Net cash inflows/(outflows) from operating activities	12,505,229	10,121,156	(232)	74
Acceptance by the Crown of employee benefits and other liabilities	41,460	80,935	12	67
Depreciation and amortisation	(3,309,704)	(4,342,628)	-	-
Non-cash revenue and expenses	453,659	818,641	(12)	(67)
Derecognition, impairment and write off of assets	(276,680)	(568,356)	-	-
Transfer to councils, NSW government agencies & other parties	(908,641)	(596,992)	-	-
Net gain/(loss) on sale of assets held for sale	16,628	2,760	-	-
(Impairment)/reversal of receivables	(7)	(8,189)	-	-
(Decrease)/increase in receivables, inventories and other assets	1,025,708	197,489	4	(74)
(Increase)/decrease in payables and provisions	(961,813)	232,239	228	-
(Increase)/decrease in contract liabilities	(45,714)	(303,535)	-	-
Net gain/(loss) on sale of property, plant and equipment & intangible assets	(3,210)	(194,424)	-	-
Net gain/(loss) on lease modifications and disposal of right of use assets	(1,008)	(7,946)	-	-
<b>Reconciliation to net result</b>	<b>8,535,907</b>	<b>5,431,150</b>	<b>-</b>	<b>-</b>

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

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

	Notes	Consolidated 2021 \$'000	Consolidated Restated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Refinancing gains on borrowings		-	437,627	-	-
Gains/(losses) on financial liability at amortised cost		9,748	(14,912)	-	-
Borrowings in respect of acquisition of plant and equipment		(2,663,790)	(1,495,103)	-	-
Financial liabilities in respect of Sydney Light Rail		(16,402)	(86,637)	-	-
<b>Non-cash financing activities</b>		<b>(2,670,444)</b>	<b>(1,159,025)</b>	-	-
Plant and equipment acquired by finance lease		2,663,790	1,495,103	-	-
Transfer to councils, NSW government agencies & other parties	14	(908,641)	(596,992)	-	-
Assets recognised for the first time	3(i),14	3,422	91,615	-	-
M2 and Eastern Distributor promissory notes	3(i)	11,252	943	-	-
Derecognition, impairment and write-off of assets	5	(276,680)	(568,356)	-	-
Assets disposed without cash proceeds <sup>1</sup>		-	(143,108)	-	-
Capitalisation of Sydney Light Rail asset		16,402	86,637	-	-
Transfer from administrative restructure - others	29(b)	904,994	-	-	-
Major periodic maintenance work by Transdev		1,892	1,819	-	-
Loss of control of TAHE	29(c)	(37,704,092)	-	-	-
Equity transfers	29(a)	361	108,863	-	-
Other gains/(losses)	5	(255)	(1,872)	-	-
<b>Non-cash investing activities</b>		<b>(35,287,555)</b>	<b>474,652</b>	-	-
<b>Non-cash financing and investing activities</b>		<b>(37,957,999)</b>	<b>(684,373)</b>	-	-

<sup>1</sup> Assets disposed without cash proceeds of (\$143.1 million) in the prior year related to TAHE (2021: nil). Refer to Note 29(c).



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

for the year ended 30 June 2021

**27. Administered assets and liabilities**

	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Cash	36,852	44,068	-	-
<b>Administered assets</b>	<b>36,852</b>	<b>44,068</b>	-	-
Payables	324,972	316,451	-	-
<b>Administered liabilities</b>	<b>324,972</b>	<b>316,451</b>	-	-

**Recognition and measurement**

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

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

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

**28. Financial instruments**

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

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

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

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

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

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

for the year ended 30 June 2021

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

**(a) Financial instrument categories**

<b>Consolidated</b>	<b>Note</b>	<b>Category</b>	<b>Carrying amount 2021 \$'000</b>	<b>Carrying amount Restated 2020 \$'000</b>
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	7	N/A	4,744,963	2,526,218
Receivables <sup>1</sup>	8	Amortised cost	2,062,543	1,526,023
Financial assets at fair value	11	At fair value through profit or loss - designated as such at initial recognition	133,993	119,964
Financial assets at fair value	11	Fair value through profit or loss - mandatory classification	3,001	811
Other financial assets	13	Amortised cost	287,554	259,990
			<b>7,232,054</b>	<b>4,433,006</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Trade creditors, accruals and other liabilities <sup>2</sup>	18,22	Financial liabilities measured at amortised cost	5,156,650	2,990,655
Financial liabilities at fair value	19	At fair value through profit or loss - designated as such at initial recognition	2,812	7,344
Borrowings	19	Financial liabilities measured at amortised cost	9,274,042	12,694,505
			<b>14,433,504</b>	<b>15,692,504</b>

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

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

<b>Parent</b>	<b>Note</b>	<b>Category</b>	<b>Carrying amount 2021 \$'000</b>	<b>Carrying amount 2020 \$'000</b>
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	7	N/A	228	460
Receivables <sup>1</sup>	8	Amortised cost	3	3
			<b>231</b>	<b>463</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables <sup>2</sup>	18	Financial liabilities measured at amortised cost	245	259
			<b>245</b>	<b>259</b>

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

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

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

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

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

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

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

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

### **(b) Derivatives**

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

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

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

Generally, commodity swap contracts are designated as cash flow hedges. As at 30 June 2021, there were commodity swap contracts in place for distillate and electricity purchases. The distillate swap contracts were designated as cash flow hedges. The only electricity derivative financial instrument in place was an economic hedge to manage exposure to electricity price risk under the approved risk management policies. This electricity derivative is not designated in a hedge relationship under AASB 9. It is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge. Changes in the fair value of derivative instruments that are not designated in a hedge relationship are recognised immediately in profit or loss as part of gain/ (loss) in fair value of financial instruments.

The consolidated entity held \$3.0 million (2020: \$0.8 million) in derivative financial assets and \$2.8 million (2020: \$7.3 million) in derivative financial liabilities. The parent did not have any derivative financial assets or liabilities (2020: nil).

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

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

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

		Expected Cash Flow					
		Weighted average exchange rate	Contract value \$ '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
Consolidated							
2021	Denominated in US Dollars	0.7220	5,572	3,578	1,381	613	5,572
	Denominated in US Dollars	0.7136	9,223	-	9,223	-	9,223
	Denominated in US Dollars	0.6861	4,725	-	-	4,725	4,725
	Denominated in Euros	0.6087	2,170	2,170	-	-	2,170
	Denominated in Euros	0.6286	6,408	619	5,789	-	6,408
	Denominated in Euros	0.6322	114	-	-	114	114
	<b>Foreign exchange contracts</b>		<b>28,212</b>	<b>6,367</b>	<b>16,393</b>	<b>5,452</b>	<b>28,212</b>
	Favourable		88,726	-	(12,183)	(1,688)	(13,871)
	Non-favourable		3,185	-	(3,185)	-	(3,185)
	<b>Commodity hedge contracts</b>		<b>91,911</b>	<b>-</b>	<b>(15,368)</b>	<b>(1,688)</b>	<b>(17,056)</b>
2020	Denominated in US Dollars	0.6972	5,188	5,028	160	-	5,188
	Denominated in US Dollars	0.6925	9,414	-	9,414	-	9,414
	Denominated in US Dollars	0.6808	10,710	-	-	10,710	10,710
	Denominated in Euros	0.6000	518	518	-	-	518
	Denominated in Euros	0.5810	9,109	-	9,109	-	9,109
	Denominated in Pounds Sterling	0.5099	198	198	-	-	198
	<b>Foreign exchange contracts</b>		<b>35,137</b>	<b>5,744</b>	<b>18,683</b>	<b>10,710</b>	<b>35,137</b>
	Favourable		80,097	-	(6,449)	2,017	(4,432)
	Non-favourable		19,997	-	(10,261)	(9,736)	(19,997)
	<b>Commodity hedge contracts</b>		<b>100,094</b>	<b>-</b>	<b>(16,710)</b>	<b>(7,719)</b>	<b>(24,429)</b>

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

**(c) Credit risk**

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

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

**Department of Transport**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

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

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

**Cash**

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on restricted bank balances at the prevailing RBA cash rate.

**Receivables – trade debtors**

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

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Trade debtors are written off when there is no reasonable expectation of recovery. No interest is earned on trade debtors. Sales are generally made on 30 day terms.

The expected credit loss allowance for trade debtors as at 30 June 2021 and 30 June 2020 was determined as follows:

		Expected credit loss rate %	Estimated total gross carrying amount at default \$ '000	Expected credit loss \$ '000
2021	Current	0.04	131,560	53
	<30 days	0.19	70,042	133
	30-60 days	0.93	12,086	112
	61-90 days	1.42	9,072	129
	>91 days	36.56	20,141	7,364
			<b>242,901</b>	<b>7,790</b>
2020	Current	3.71	21,260	789
	<30 days	4.13	14,223	587
	30-60 days	12.32	4,660	574
	61-90 days	0.52	50,918	265
	>91 days	44.54	26,001	11,581
			<b>117,062</b>	<b>13,796</b>

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

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

<sup>3</sup> There is no credit risk in the parent entity in 2021 or 2020.

The parent did not have any expected credit loss on financial assets in 2021 (2020: nil).

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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

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

##### Derivatives

Transport for NSW, Sydney Trains and Sydney Metro have undertaken 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.

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

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

The consolidated entity has access to credit facilities with TCorp of \$0.20 million (2020: \$2,782.2 million) of which \$0.03 million (2020: \$2,534.8 million) had been used at reporting date. TCorp facilities in the prior year related to TAHE (refer Note 29(c)).

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

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

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

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

Consolidated	Weighted average effective int. rate (%)	Interest rate exposure				Maturity dates		
		Nominal amount \$'000	Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non-interest bearing \$'000	< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000
2021								
<b>Payables</b>								
Trade creditors, accruals and other liabilities		5,156,650	-	-	5,156,650	4,795,775	360,875	-
<b>Borrowings</b>								
Lease liabilities	2.33	6,675,161	5,729,747	945,414	-	437,580	1,474,930	4,762,651
Service concession financial liabilities	1.42	6,269,894	1,762,133	4,507,761	-	1,916,757	1,510,555	2,842,582
Derivative financial instruments		1,587	1,468	-	119	1,136	451	-
		<b>18,103,292</b>	<b>7,493,348</b>	<b>5,453,175</b>	<b>5,156,769</b>	<b>7,151,248</b>	<b>3,346,811</b>	<b>7,605,233</b>
Restated 2020								
<b>Payables</b>								
Trade creditors, accruals and other liabilities		2,990,655	-	-	2,990,653	2,798,730	191,925	-
<b>Borrowings</b>								
TCorp borrowings	2.33	2,800,845	2,713,115	87,730	-	174,955	1,496,891	1,128,999
Lease liabilities	2.43	7,028,830	5,131,675	1,878,962	18,193	434,281	1,413,146	5,181,403
Service concession financial liabilities	2.44	7,454,839	7,156,022	-	298,817	1,614,658	2,567,240	3,272,941
Derivative financial instruments		6,929	6,872	-	57	4,464	2,465	-
		<b>20,282,098</b>	<b>15,007,684</b>	<b>1,966,692</b>	<b>3,307,720</b>	<b>5,027,088</b>	<b>5,671,667</b>	<b>9,583,343</b>

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

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

Parent	Interest rate exposure					Maturity dates		
	Weighted average effective int. rate (%)	Nominal amount	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
	\$ 000'	\$ 000'	\$ 000'	\$ 000'	\$ 000'	\$ 000'	\$ 000'	\$ 000'
Trade creditors and accruals	-	245	-	-	245	245	-	-
<b>Payables</b>	-	<b>245</b>	-	-	<b>245</b>	<b>245</b>	-	-
Trade creditors and accruals	-	259	-	-	259	259	-	-
<b>Payables</b>	-	<b>259</b>	-	-	<b>259</b>	<b>259</b>	-	-

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



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

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

**(e) Market risk**

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

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

The effect on the net result and equity due to a reasonably possible change in risk variable is outlined in the information provided below, for interest rate risk and other price risk including currency movements. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the consolidated entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance date. The analysis is performed on the same basis as for 2021 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.

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

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**Notes to the financial statements**

for the year ended 30 June 2021

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

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

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

	Carrying amount \$'000	-1%		+1%	
		Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<b>2021 Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	4,345,610	(43,456)	(43,456)	43,456	43,456
Financial assets at fair value	133,993	(1,340)	(1,340)	1,340	1,340
Other financial assets	278,076	(2,781)	(2,781)	2,781	2,781
	<b>4,757,679</b>	<b>(47,577)</b>	<b>(47,577)</b>	<b>47,577</b>	<b>47,577</b>
<b>Financial liabilities</b>					
Borrowings	5,453,175	(54,532)	(54,532)	54,532	54,532
	<b>5,453,175</b>	<b>(54,532)</b>	<b>(54,532)</b>	<b>54,532</b>	<b>54,532</b>
	Carrying amount \$'000	-1%		+1%	
		Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<b>Restated 2020 Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2,275,339	(22,753)	(22,753)	22,753	22,753
Financial assets at fair value	119,964	(1,200)	(1,200)	1,200	1,200
Other financial assets	252,386	(2,524)	(2,524)	2,524	2,524
	<b>2,647,689</b>	<b>(26,477)</b>	<b>(26,477)</b>	<b>26,477</b>	<b>26,477</b>
<b>Financial liabilities</b>					
Borrowings	1,966,692	(19,667)	(19,667)	19,667	19,667
	<b>1,966,692</b>	<b>(19,667)</b>	<b>(19,667)</b>	<b>19,667</b>	<b>19,667</b>

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

for the year ended 30 June 2021

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

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

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

	Carrying amount \$'000	-1%		+1%	
		Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<b>2021 Parent</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	-	-
	-	-	-	-	-
			-1%		+1%
<b>2020 Parent</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	-	-
	-	-	-	-	-

**(ii) Foreign exchange risk**

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

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

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

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

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

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

for the year ended 30 June 2021

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

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

**(ii) Foreign exchange risk (cont'd)**

		+10%			-10%	
<b>Consolidated</b>		<b>Contract value</b>	<b>Net result</b>	<b>Equity</b>	<b>Net result</b>	<b>Equity</b>
		<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
2021	Denominated in US Dollars	19,520	245	1,774	(245)	(1,451)
	Denominated in Euros	8,692	-	805	-	(681)
	<b>Foreign exchange contracts</b>	<b>28,212</b>	<b>245</b>	<b>2,579</b>	<b>(245)</b>	<b>(2,132)</b>
2020	Denominated in US Dollars	25,312	203	2,677	(166)	(2,190)
	Denominated in Euros	9,627	-	1,014	-	(847)
	Denominated in Pounds Sterling	198	-	20	-	(16)
	<b>Foreign exchange contracts</b>	<b>35,137</b>	<b>203</b>	<b>3,711</b>	<b>(166)</b>	<b>(3,053)</b>

There is no foreign exchange 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 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 2021, the only electricity derivative financial instrument was not designated in a hedge relationship under AASB 9. This derivative is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge.

The consolidated entity's exposure to commodity price risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on net result is due to changes in the fair value of commodity swap contracts that are not designated as being in a hedge relationship under AASB 9. The impact on equity is due to changes in the fair value of commodity swap contracts designated as cash flow hedges. A sensitivity of 10% movement in the spot price of the respective commodities has been selected for use in the sensitivity analysis at the reporting date.

		10%		-10%		
<b>Consolidated</b>		<b>Contract value</b>	<b>Net Result</b>	<b>Equity</b>	<b>Net Result</b>	<b>Equity</b>
		<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>2021</b>						
	Distillate	15,831	-	1,583	-	(1,583)
	Electricity	76,080	7,608	-	(7,608)	-
		<b>91,911</b>	<b>7,608</b>	<b>1,583</b>	<b>(7,608)</b>	<b>(1,583)</b>
<b>2020</b>						
	Distillate	24,014	-	2,401	-	(2,401)
	Electricity	76,080	7,608	-	(7,608)	-
		<b>100,094</b>	<b>7,608</b>	<b>2,401</b>	<b>(7,608)</b>	<b>(2,401)</b>

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

for the year ended 30 June 2021

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

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

**(iv) Other price risk – TCorpIM Funds**

Exposure to 'Other Price Risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. The consolidated entity has no direct equity investments and holds units in the following TCorpIM Funds Trusts:

Facility	Investment sectors	Investment horizon	2021 \$ '000	2020 \$ '000
Medium term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	3 years to 7 years	88,898	81,766
Long term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	7 years and over	45,095	38,198

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

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

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

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

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

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

for the year ended 30 June 2021

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

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

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Funds and derivatives, which are measured at fair value.

Other than TCorp borrowings, the amortised cost of all other financial instruments recognised in the Statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments and the expectation that they will be paid in full.

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

<b>2021 Consolidated</b>	<b>Carrying amount</b> <b>\$'000</b>	<b>Fair value</b> <b>\$'000</b>	<b>Fair value level</b>
<b>Financial liabilities</b>			
Service concession financial liabilities	5,003,454	4,766,301	2
	<b>5,003,454</b>	<b>4,766,301</b>	
<b>Restated 2020 Consolidated</b>	<b>Carrying amount</b> <b>\$'000</b>	<b>Fair value</b> <b>\$'000</b>	<b>Fair value level</b>
<b>Financial liabilities</b>			
Service concession financial liabilities	5,255,639	5,513,990	2
TCorp borrowings	2,769,866	3,145,458	2
	<b>8,025,505</b>	<b>8,659,448</b>	

The fair value of service concession financial liabilities is calculated using incremental borrowing rates, which are based on TCorp lending rates.

Service concession financial liabilities includes liabilities in relation to Metro Northwest and City and Southwest projects and Sydney CBD and South East Light Rail project.

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

(g) Fair value hierarchy

<b>2021 Consolidated</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Derivative financial instruments	-	3,001	-	3,001
TCorpIM Funds	-	133,993	-	133,993
	-	<b>136,994</b>	-	<b>136,994</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	2,812	-	2,812
	-	<b>2,812</b>	-	<b>2,812</b>
<b>Restated 2020 Consolidated</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	811	-	811
TCorpIM Funds	-	119,964	-	119,964
	-	<b>120,775</b>	-	<b>120,775</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	7,344	-	7,344
TCorp borrowings	-	2,678,388	-	2,678,388
	-	<b>2,685,732</b>	-	<b>2,685,732</b>

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

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

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

The fair value of the TCorpIM Funds is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds facilities are valued using redemption pricing.

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

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

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

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

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

for the year ended 30 June 2021

**29. Equity and reserves**

**(a) Equity transfers**

	Notes	Consolidated 2021 \$'000	Consolidated 2020 \$'000	Parent 2021 \$'000	Parent 2020 \$'000
Metro Northwest land transferred from Planning Ministerial Corporation <sup>1</sup>		-	13,636	-	-
Assets under construction transferred to TAHE <sup>2</sup>	14,16	(3,726)	-	-	-
Waterloo Metro Quarter Development transferred from Infrastructure NSW <sup>3</sup>		-	95,227	-	-
Property, plant and equipment transferred from Infrastructure NSW <sup>4</sup>	14	4,493	-	-	-
Property, plant and equipment transferred to TAHE <sup>5</sup>	14	(407)	-	-	-
<b>Equity transfers</b>		<b>360</b>	<b>108,863</b>	<b>-</b>	<b>-</b>

<sup>1</sup> In 2020 the Planning Ministerial Corporation transferred land valued at \$13.6 million surrounding Metro Northwest to Sydney Metro in accordance with a Cabinet decision whereby land previously acquired for the Northwest rail link project and owned by the Minister was vested to Sydney Metro. This has been accounted for as adjustment to equity in accordance with TPP 09-3.

<sup>2</sup> In 2021 the Transport Secretary, with the consent of TAHE, transferred capital work in progress of \$3.7 million from NSW Trains to TAHE.

<sup>3</sup> In 2020 the Premier approved a transfer of Waterloo Metro Quarter Development valued at \$95.2 million from Infrastructure NSW to Sydney Metro under the Growth Centres (Development Corporations) Act 1974, and it has been accounted for as adjustment to equity in accordance with TPP 09-3.

<sup>4</sup> On 12 June 2020, the Premier approved the transfer of land and buildings relating to the Redfern-Eveleigh and Bays West precincts of \$4.5 million (2020: nil) from Infrastructure NSW to Transport for NSW. The transfer was effective on 1 July 2020.

<sup>5</sup> On 15 January 2021, the Transport Secretary, with the consent of TAHE, transferred land and buildings together with any related assets, rights and liabilities net \$0.4 million from Transport for NSW to TAHE.



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

for the year ended 30 June 2021

**29. Equity and reserves**

**(b) Administrative restructures**

The Minister for Transport and Roads, the Minister of Water, Property and Housing, and the Minister for Planning and Public Spaces approved the establishment of the Maritime Infrastructure Delivery Office within Transport for NSW by transferring relevant functions, programs, funding, and certain assets and liabilities (net \$905.0 million) from the Department of Planning, Industry and Environment (DPIE) to the consolidated entity. The transfer was effective from 1 July 2020.

Net assets and liabilities transferred to the consolidated entity in the year ended 30 June 2021 were as follows:

	<b>Department of Planning, Industry and Environment 2021 \$'000</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Receivables	1,838
<b>Total current assets</b>	<b>1,838</b>
<b>Non-current assets</b>	
Property plant & equipment	
Land and buildings	30,598
Plant and equipment	2
Infrastructure systems	874,539
Property, plant and equipment	905,139
Intangible assets	-
<b>Total non-current assets</b>	<b>905,139</b>
<b>Total assets</b>	<b>906,977</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Payables	147
Contract liabilities	78
Other provisions	1,759
<b>Total current liabilities</b>	<b>1,984</b>
<b>Non-current liabilities</b>	
<b>Total non-current liabilities</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,984</b>
<b>Net assets</b>	<b>904,993</b>

There were no expenses or income attributable to administrative restructures nor any impact on the consolidated entity's net result for the year ended 30 June 2021.

There were no administrative restructures in the year ended 30 June 2020.

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

for the year ended 30 June 2021

**29. Equity and reserves (cont'd)**

**(c) Loss of control of TAHE**

**Transport Asset Holding Entity of New South Wales (TAHE)**

On 1 July 2020, the former Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the Transport Administration Act 1988 and the State Owned Corporations Act 1989. TAHE is not a controlled entity of Transport for NSW or the Department of Transport. Net assets and liabilities transferred from the consolidated entity on 1 July 2020 were as follows:

	<b>TAHE 2021 \$'000</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	6,147
Receivables	63,323
<b>Total current assets</b>	<b>69,470</b>
<b>Non-current assets</b>	
Receivables	26,658
Property plant & equipment	
Land and buildings	-
Plant and equipment	3,022,418
Infrastructure systems	37,626,365
Property, plant and equipment	40,648,783
Intangible assets	323,905
<b>Total non-current assets</b>	<b>40,999,346</b>
<b>Total assets</b>	<b>41,068,816</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Payables	153,166
Contract liabilities	3,475
Borrowings	105,193
Employee benefits	4,226
Other provisions	12,341
Other liabilities	4,002
<b>Total current liabilities</b>	<b>282,402</b>
<b>Non-current liabilities</b>	
Borrowings	2,659,446
Employee benefits	237,018
Other provisions	4,547
Other liabilities	181,311
<b>Total non-current liabilities</b>	<b>3,082,322</b>
<b>Total liabilities</b>	<b>3,364,724</b>
<b>Net assets</b>	<b>37,704,092</b>

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

for the year ended 30 June 2021

**29. Equity and reserves (cont'd)**

**(c) Loss of control of TAHE (cont'd)**

To assist with understanding the financial statements, details of TAHE's comprehensive income in the prior year are below:

	<b>Consolidated Restated<sup>1</sup> (Including TAHE) 2020 \$'000</b>	<b>TAHE Restated<sup>1</sup> 2020 \$'000</b>
<b>Expenses excluding losses</b>		
Operating expenses		
Employee related expenses	3,130,988	5,703
Other operating expenses	3,334,410	122,385
Depreciation and amortisation	4,342,628	1,404,892
Grants and subsidies	1,347,823	47,078
Finance costs	468,451	82,513
Other expenses	1,360,647	-
<b>Total expenses excluding losses</b>	<b>13,984,947</b>	<b>1,662,570</b>
<b>Revenue</b>		
Appropriation	13,985,459	-
Sale of goods and services from contracts with customers	1,871,119	160,657
Investment revenue	199,207	38,764
Retained taxes, fees and fines	44,633	-
Grants and contributions	3,164,915	101,479
Acceptance by the Crown of employee benefits and other liabilities	80,935	-
Other revenue	414,232	216
<b>Total revenue</b>	<b>19,760,500</b>	<b>301,115</b>
Gain/(loss) on disposal	(199,610)	(143,109)
Other gains/(losses)	(136,604)	(593)
Impairment losses on financial assets	(8,189)	(1,328)
<b>Net result</b>	<b>5,431,150</b>	<b>(1,506,485)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to net result</i>		
Net gains/(losses) in commodity swaps and foreign exchange	(13,700)	-
Net increase/(decrease) in asset revaluation surplus of property, plant and equipment	4,492,311	1,872,609
Remeasurement of defined benefit superannuation schemes	(7,315)	-
<b>Total other comprehensive income</b>	<b>4,471,296</b>	<b>1,872,609</b>
<b>Total comprehensive income</b>	<b>9,902,446</b>	<b>366,124</b>

<sup>1</sup>2020 comparatives have been restated to reflect the adoption of AASB 1059

**(d) Asset revaluation reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the consolidated entity's policy on the revaluation of property, plant and equipment as discussed in Note 14 (recognition and measurement (iii) and (iv)).

**(e) Hedge reserve**

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

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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### 29. Equity and reserves (cont'd)

#### (f) Accumulated funds

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

#### (g) Other reserves

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

#### (h) Contributed capital

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

### Recognition and measurement

#### (i) Equity transfers

Equity transfers represent the transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with NSW Treasury Policy 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.

#### (ii) Loss of control of TAHE

On 1 July 2020, Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the Transport Administration Act 1988 and the State Owned Corporations Act 1989.

TAHE is not a controlled entity of Transport for NSW or the Department of Transport. TAHE may eventually hold additional public transport assets for the State, including public transport assets currently held by entities controlled by the consolidated entity.

Loss of control of TAHE from 1 July 2020 means that the net assets and net result of TAHE (previously RailCorp) are no longer included in the results of the consolidated entity for the year ended 30 June 2021 onwards. Conversely transactions that were previously eliminated within the consolidated entity that related to RailCorp (now TAHE) will now be included in the consolidated entity.

For the comparative prior year ended 30 June 2020, the net assets and net result of TAHE are included in the net assets and net result of the consolidated entity.

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

for the year ended 30 June 2021

**30. Related party disclosures**

**(a) Key management personnel compensation**

	Consolidated 2021 \$'000	Parent 2021 \$'000	Consolidated 2020 \$'000	Parent 2020 \$'000
Short-term employee benefits	4,957	-	5,251	-
Post-employment benefits	217	-	221	-
Other long-term benefits	231	-	-	-
Termination benefits	436	-	-	-
	<b>5,841</b>	<b>-</b>	<b>5,472</b>	<b>-</b>

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

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

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

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

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

During the 2021 financial year, the consolidated entity entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Grants and contributions from NSW Treasury for the CDB Revitalisation Fund
- Grants and contributions from the Crown to fund redundancy grants in the Transport cluster, the Restart Grants, capital works, Sydney Metro City and Southwest project, Parramatta Light Rail project, Albion Park rail bypass and Berry to Bomaderry upgrade
- Grants and contributions from Department of Family and Community Services, Service NSW, Resilience NSW, NSW Treasury, The Department of Planning, Industry and Environment, Commonwealth Government, Infrastructure NSW, Office of Environmental Management, Office of Environment and Heritage, NSW Police Force and various other NSW government agencies
- Grants and subsidies paid to various NSW government agencies including Ministry of Health for widening Hawkesbury Road as part of the Parramatta Light Rail project and the NSW Police to support drug and alcohol screening
- Rental and accommodation expenses paid to General Property NSW
- Assets and liabilities transferred from the Department of Planning, Industry and Environment (DPIE)
- All long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW and all senior executives were assumed by the Crown
- The Pooled Fund held in trust the investment relating to the closed NSW public sector superannuation schemes
- Investment in TCorpIM Funds facilities and investment revenue earned from these facilities
- Capital work in progress and property, plant and equipment transferred to TAHE
- Cost recoveries for services provided to TAHE, including maintenance activities
- Costs of construction charged to TAHE

## Department of Transport Notes to the financial statements

for the year ended 30 June 2021

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### 30. Related party disclosures (cont'd)

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

- Reimbursements from TAHE for the design and construction of major rail projects
- Payments for professional services provided by Infrastructure NSW, Department of Education and Communication, Department of Planning and Environment, and Infrastructure NSW and Ministry of Health
- Front-line service delivery fees from Service NSW
- Grant revenue from Service NSW
- Grants paid to TAHE for rail services and capital works
- Grants for maintenance of transport infrastructure, completed projects and cash contributions to local councils, utility providers and other government agencies
- Assets transfer to TAHE for Chatswood/Northern Connection Works
- Lease arrangements with Newcastle Port Corporation for the use of facilities as a construction site.

### 31. After balance date events

On 30 June 2021, the consolidated entity entered into new commercial agreements with TAHE which came into effect on 1 July 2021. The agreements provide access and licence rights to TAHE's rolling stock and station assets. The impact of these agreements on future periods is net cash outflows of approximately \$11.8 billion over the next 10 years which will be Government funded. The cash outflow relates to licence fees of \$6.6 billion which will be recognised as right of use assets and access fees expense of \$5.2 billion over the next 10 years.

The COVID-19 pandemic is ongoing and continues to impact the operations of the consolidated entity. While the known impact of the pandemic has been reflected in the financial statements at 30 June 2021 (refer Note 1(I)), the consolidated entity has assessed that there is no material impact on the operating result and the carrying values of assets and liabilities as at 30 June 2021. The ongoing pandemic continues to significantly impact revenue and expenses. The financial impact is anticipated to be funded by Government.

In the year ended 30 June 2021, a Corporate Functions Review (CFR) was announced to design a new integrated corporate function across Transport for NSW, Sydney Trains and NSW Trains. An appropriate provision has been recognised in the consolidated entity for employees taking up voluntary redundancy up to 30 June 2021. Post 30 June 2021 there are employees identified as displaced in the new corporate structure, and management is currently reviewing various placement options for these employees. The financial impact of any resulting voluntary redundancies will be recognised in the year ended 30 June 2022.

Other than as noted above, no other events have occurred after the balance date that would have a material impact on the financial statements.

#### End of Audited Financial Statements



## INDEPENDENT AUDITOR'S REPORT

### Department of Transport

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the Department of Transport (the Department), which comprise the Statement by the Secretary, the Statement of comprehensive income for the year ended 30 June 2021, the Statement of financial position as at 30 June 2021, the Statement of changes in equity and the Statement of cash flows for the year then ended, notes comprising a Summary of significant accounting policies and other explanatory information of the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- present fairly the financial position, financial performance and cash flows of the Department and the consolidated entity.

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Secretary's Responsibilities for the Financial Statements**

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulations and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

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

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

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

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

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



Margaret Crawford  
Auditor-General for New South Wales

21 October 2021  
SYDNEY





# **Transport for NSW**

Annual Financial Statements

for the year ended 30 June 2021

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**Transport for NSW**  
**Statement by the Secretary**  
for the year ended 30 June 2021

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

1. The accompanying financial statements present fairly the financial position of Transport for NSW as at 30 June 2021, and the financial performance and cash flows for the year ended on that date.
2. The financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and NSW Treasurer's Directions.



Rob Sharp  
**Secretary**

Date: 30/09/2021

**Transport for NSW**  
**Statement of comprehensive income**  
for the year ended 30 June 2021

	Notes	Actual 2021 \$'000	Actual Restated 2020 \$'000
<b>Expenses excluding losses</b>			
Operating expenses			
Personnel service expenses	2(a)	1,062,174	800,085
Other operating expenses	2(b)	2,243,495	1,361,851
Major rail project expenses	2(c)	1,933,291	1,373,300
Depreciation and amortisation	2(d)	2,914,127	1,729,050
Grants and subsidies	2(e)	9,603,301	9,561,406
Finance costs	2(f)	133,788	138,285
Other expenses	2(g)	1,735,479	1,527,774
<b>Total expenses excluding losses</b>		<b>19,625,655</b>	<b>16,491,751</b>
<b>Revenue</b>			
Appropriation	3(a)	17,929,256	13,985,459
Sale of goods and services from contracts with customers	3(b)	740,951	437,310
Investment revenue	3(c)	40,321	9,532
Shared and corporate services revenue	3(d)	253,006	294,412
Grants and contributions	3(e)	2,914,855	3,134,527
Retained taxes, fees and fines	3(f)	68,551	42,509
Major rail project revenue	3(g)	1,933,291	1,373,300
Resources received free of charge	3(h)	36,033	44,296
Other revenue	3(i)	563,952	290,936
<b>Total revenue</b>		<b>24,480,216</b>	<b>19,612,281</b>
Gain/(loss) on disposal	4	4,877	(12,515)
Other gains/(losses)	5	(461,270)	(631,514)
Impairment reversal/(loss) on financial assets	8	(223)	(2,828)
<b>Net result</b>		<b>4,397,945</b>	<b>2,473,673</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to net result</i>			
Net gains/(losses) in commodity swaps and foreign exchange		33	(69)
<i>Items that will not be reclassified to net result</i>			
Changes in revaluation surplus of property, plant and equipment	14	568,460	658,738
<b>Total other comprehensive income</b>		<b>568,493</b>	<b>658,669</b>
<b>Total comprehensive income</b>		<b>4,966,438</b>	<b>3,132,342</b>

The 2020 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors (AASB 1059), refer to Note 1(h) for more details.

The accompanying Notes form part of these financial statements

**Transport for NSW**  
**Statement of financial position**  
as at 30 June 2021

	Notes	Actual 2021 \$'000	Actual Restated 2020 \$'000	Actual 1 July 2019 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	2,509,789	1,643,257	841,657
Receivables	8	1,112,007	815,710	363,788
Inventories	10	5,280	4,663	-
Financial assets at fair value	11	133,993	119,970	9
Non-current assets held for sale	12	22,507	39,739	15,472
Other financial assets (at amortised cost)	13	1,609	-	-
<b>Total current assets</b>		<b>3,785,185</b>	<b>2,623,339</b>	<b>1,220,926</b>
<b>Non-current assets</b>				
Receivables	8	373,177	198,653	-
Other financial assets	13	279,799	256,027	1,205
Property plant and equipment				
Land and buildings	14	5,201,820	4,206,627	617,779
Plant and equipment	14	1,992,751	1,979,811	1,201,468
Infrastructure systems	14	132,728,314	126,518,790	8,916,957
Property, plant and equipment	14	139,922,885	132,705,228	10,736,204
Right of use assets	15	1,537,725	1,613,339	927,683
Intangible assets	16	947,794	1,010,854	716,795
<b>Total non-current assets</b>		<b>143,061,380</b>	<b>135,784,101</b>	<b>12,381,887</b>
<b>Total assets</b>		<b>146,846,565</b>	<b>138,407,440</b>	<b>13,602,813</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	19	2,965,185	1,944,837	1,008,558
Contract liabilities	9	277,522	222,252	183
Borrowings	20	1,342,443	897,578	414,888
Provisions	21	33,739	85,390	14,038
Other liabilities	22	857,961	962,557	385,336
<b>Total current liabilities</b>		<b>5,476,850</b>	<b>4,112,614</b>	<b>1,823,003</b>
<b>Non-current liabilities</b>				
Payables	19	354,684	181,311	-
Contract liabilities	9	76,154	57,839	-
Borrowings	20	3,401,649	4,668,107	3,382,147
Provisions	21	30,619	31,703	9,000
Other liabilities	22	16,801,016	14,525,790	45
<b>Total non-current liabilities</b>		<b>20,664,122</b>	<b>19,464,750</b>	<b>3,391,192</b>
<b>Total liabilities</b>		<b>26,140,972</b>	<b>23,577,364</b>	<b>5,214,195</b>
<b>Net assets</b>		<b>120,705,593</b>	<b>114,830,076</b>	<b>8,388,618</b>
<b>EQUITY</b>				
Accumulated funds		119,453,659	114,139,627	7,535,531
Reserves		1,251,934	690,449	853,087
<b>Total equity</b>		<b>120,705,593</b>	<b>114,830,076</b>	<b>8,388,618</b>

The retrospective application of AASB 1059 has a material effect on the information presented in the balance sheet at the beginning of the preceding period, therefore Transport for NSW is presenting a third balance sheet as at the beginning of 1 July 2019. Furthermore, 2020 comparative figures have been restated to reflect the adoption of AASB 1059. Refer to Note 1(h) for further details.

The accompanying Notes form part of these financial statements

**Transport for NSW**  
**Statement of changes in equity**  
for the year ended 30 June 2021

	Notes	Accumulated funds \$'000	Asset revaluation surplus \$'000	Hedge reserve \$'000	Total \$'000
<b>Restated balance at 1 July 2020</b>		<b>114,139,627</b>	<b>690,470</b>	<b>(21)</b>	<b>114,830,076</b>
<b>Net result for the year</b>		<b>4,397,945</b>	<b>-</b>	<b>-</b>	<b>4,397,945</b>
<b>Other comprehensive income</b>					<b>-</b>
Net gains/(losses) in commodity swaps and foreign exchange		-	-	33	33
Net increase/(decrease) in asset revaluation surplus	14	-	568,460	-	568,460
<b>Total other comprehensive income</b>		<b>-</b>	<b>568,460</b>	<b>33</b>	<b>568,493</b>
<b>Total comprehensive income for the year</b>		<b>4,397,945</b>	<b>568,460</b>	<b>33</b>	<b>4,966,438</b>
<b>Transactions with owners in their capacity as owners</b>					<b>-</b>
Transfers to/from reserves to accumulated funds		7,008	(7,008)	-	-
Equity transfers	23(d)	4,086	-	-	4,086
Increase/(decrease) in net assets from administrative restructure	23(e)	904,993	-	-	904,993
<b>Balance at 30 June 2021</b>		<b>119,453,659</b>	<b>1,251,922</b>	<b>12</b>	<b>120,705,593</b>
<b>Balance at 1 July 2019</b>		8,394,068	853,078	11	9,247,157
Changes in accounting policy – initial application of AASB 1059		(858,537)	-	-	(858,537)
<b>Restated balance at 1 July 2019</b>		<b>7,535,531</b>	<b>853,082</b>	<b>11</b>	<b>8,388,624</b>
<b>Restated net result for the year</b>		<b>2,473,673</b>	<b>-</b>	<b>-</b>	<b>2,473,673</b>
<b>Other comprehensive income</b>					
Net gains/(losses) in commodity swaps and foreign exchange		(37)	-	(32)	(69)
Net increase/(decrease) in asset revaluation surplus	14	-	658,738	-	658,738
<b>Restated total other comprehensive income</b>		<b>(37)</b>	<b>658,738</b>	<b>(32)</b>	<b>658,669</b>
<b>Restated total comprehensive income for the year</b>		<b>2,473,636</b>	<b>658,738</b>	<b>(32)</b>	<b>3,132,342</b>
<b>Transactions with owners in their capacity as owners</b>					<b>-</b>
Transfers to/from reserves to accumulated funds		821,346	(821,346)	-	-
Equity transfers	23(d)	(4,674,702)	-	-	(4,674,702)
Restated increase/(decrease) in net assets from administrative restructure	23(e)	107,983,816	-	-	107,983,816
<b>Restated balance at 30 June 2020</b>		<b>114,139,627</b>	<b>690,470</b>	<b>(21)</b>	<b>114,830,076</b>

The opening balance at 1 July 2019 and 1 July 2020 is adjusted to reflect the adoption of AASB 1059 for service concession arrangements. Refer to Note 1(h) further details.

The accompanying Notes form part of these financial statements

**Transport for NSW**  
**Statement of cash flows**  
for the year ended 30 June 2021

	Notes	Actual 2021 \$'000	Restated Actual 2020 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Personnel services		(959,375)	(1,071,680)
Grants and subsidies		(8,765,962)	(8,989,654)
Finance costs		(134,634)	(117,934)
Bus, ferry and light rail contract payments		(1,730,230)	(1,524,697)
Electronic ticketing systems payments to operators		(921,229)	(1,585,403)
Other		(5,479,834)	(3,505,541)
<b>Total payments</b>		<b>(17,991,264)</b>	<b>(16,794,909)</b>
<b>Receipts</b>			
Appropriation		17,929,255	13,985,459
Sale of goods and services		4,245,176	3,411,520
Retained taxes, fees and fines		28,075	42,509
Interest received		2,244	6,252
Grants and contributions		2,899,275	2,934,923
Electronic ticketing systems cardholder receipts		1,187,287	1,619,004
<b>Total receipts</b>		<b>26,291,312</b>	<b>21,999,667</b>
<b>Net cash flows from operating activities</b>	26	<b>8,300,048</b>	<b>5,204,758</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		90,741	18,744
Purchases of property, plant and equipment and intangible assets		(6,565,236)	(5,033,894)
Other		857	(2,411)
<b>Net cash flows from investing activities</b>		<b>(6,473,638)</b>	<b>(5,017,561)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings and advances		(632,387)	(62,806)
Payment of principal portion of lease liabilities		(327,491)	(184,425)
<b>Net cash flows from financing activities</b>		<b>(959,878)</b>	<b>(247,231)</b>
<b>Net increase/(decrease) in cash</b>		<b>866,532</b>	<b>(60,034)</b>
Opening cash and cash equivalents		1,643,257	841,657
Cash and cash equivalents transferred (out)/in as a result of administrative restructure	23(e)	-	866,443
Cash reserve transferred to the crown entity	23(d)	-	(4,809)
<b>Closing cash and cash equivalents</b>		<b>2,509,789</b>	<b>1,643,257</b>

The accompanying Notes form part of these financial statements

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2021

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### 1. Summary of significant accounting policies

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

Transport for NSW was established on 1 November 2011 as a 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:

- Sydney Ferries
- State Transit Authority
- Rail Corporation New South Wales (until 30 June 2020)
- Sydney Trains
- NSW Trains
- Residual Transport Corporation
- Sydney Metro
- Roads and Maritime Services (until 30 November 2019)

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.

On 1 July 2020, Rail Corporation New South Wales (RailCorp) was renamed the Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the *Transport Administration Act 1988* and the *State Owned Corporations Act 1989*. TAHE is not a controlled entity of Transport for NSW. TAHE may eventually hold additional public transport assets for the State, including public transport assets currently held by Transport for NSW.

The *Transport Administration Amendment (RMS Dissolution) Act 2019* dissolved Roads and Maritime Services (RMS) on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred through an administrative restructure to Transport for NSW to be used, recovered or settled in the normal course of business by Transport for NSW. The financial statements thereby include balances and transactions from the former RMS entity from 1 December 2019.

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 2021 were authorised for issue by the Secretary on the date the accompanying Statement was signed.

#### (b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Government Sector Finance Act 2018* (GSF Act); and
- Treasurer's Directions under the GSF Act.



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

### **(b) Basis of preparation (cont'd)**

Property, plant and equipment, assets (or disposal groups) and certain financial assets and liabilities are measured using the fair value basis. Held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. Borrowings are initially measured at the fair value of the consideration received and subsequently using the effective interest method. Other financial report items are prepared in accordance with historical cost convention except where specified otherwise.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

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

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

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

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Transport for NSW's presentation and functional currency.

### **(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.

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2021

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

#### (f) Foreign currency translation

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

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

#### (g) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. Comparatives includes transactions and balances from 1 December 2019 relating to the former RMS.

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

##### (i) Effective for the first time in 2021

Transport for NSW applied *AASB 1059 Service Concession Arrangements: Grantors* (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of Transport for NSW.

##### ***AASB 1059 Service Concession Arrangements: Grantors***

AASB 1059 is effective for the entity from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-08) was withdrawn effective from 1 July 2020.

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

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

The entity has adopted the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application of 1 July 2019, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at that date.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

Impact on the Statement of comprehensive income (increase/(decrease)) for the year ended 30 June 2020 is as follows:

	30 Jun 2020	30 Jun 2020	30 Jun 2020	30 Jun 2020	30 Jun 2020	30 Jun 2020
	AASB 1059	Without adoption of AASB 1059	Impact of AASB 1059	Impact of AASB 1059	Impact of TPP 06-08 repeal	Impact of AASB 1059
			Toll roads	Other		Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Revenue</b>						
Appropriation	13,985,459	13,985,459	-	-	-	-
Sale of goods and services from contracts with customers	437,311	437,610	(299)	-	-	(299)
Investment revenue	9,532	9,532	-	-	-	-
Shared and corporate services revenue	294,412	294,412	-	-	-	-
Grants and contributions	3,134,527	3,131,692	2,835	-	-	2,835
Retained taxes, fees and fines	42,509	42,509	-	-	-	-
Major rail project revenue	1,373,299	1,191,988	-	-	181,311	181,311
Resources received free of charge	44,296	44,296	-	-	-	-
Other revenue	290,936	370,096	(88,176)	9,016	-	(79,160)
<b>Total revenue</b>	<b>19,612,281</b>	<b>19,507,594</b>	<b>(85,640)</b>	<b>9,016</b>	<b>181,311</b>	<b>104,687</b>
<b>Expenses</b>						
Operating expenses						
Personnel service expenses	800,085	800,085	-	-	-	-
Other operating expenses	1,361,851	1,372,904	(11,053)	-	-	(11,053)
Major rail project expenses	1,373,300	1,191,989	-	-	181,311	181,311
Depreciation and amortisation	1,729,050	1,469,312	259,435	303	-	259,738
Grants and subsidies	9,561,406	9,561,406	-	-	-	-
Finance costs	138,285	107,522	865	29,898	-	30,763
Other expenses	1,527,774	1,527,774	-	-	-	-
<b>Total expenses excluding losses</b>	<b>16,491,751</b>	<b>16,030,992</b>	<b>249,247</b>	<b>30,201</b>	<b>181,311</b>	<b>460,759</b>
Gain/(loss) on disposal	(12,515)	(12,515)	-	-	-	-
Other gains/(losses)	(631,514)	(635,110)	3,596	-	-	3,596
Impairment reversal/(loss) on financial assets	(2,828)	(2,828)	-	-	-	-
<b>Net result</b>	<b>2,473,673</b>	<b>2,826,149</b>	<b>(331,291)</b>	<b>(21,185)</b>	<b>-</b>	<b>(352,476)</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

**Impact on Statement of financial position (increase/(decrease)) as at 30 June 2019:**

	1 July 2019 AASB 1059	1 July 2019 Without adoption of AASB 1059	1 July 2019 Impact of AASB 1059	1 July 2019 Impact of AASB 1059	1 July 2019 Impact of TPP 06-08 repeal	1 July 2019 Impact of AASB 1059
			Toll roads	Other		Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$'000	\$ '000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	841,657	841,657	-	-	-	-
Receivables	363,788	363,788	-	-	-	-
Financial assets at fair value	9	9	-	-	-	-
Non-current assets held for sale	15,472	15,472	-	-	-	-
<b>Total current assets</b>	<b>1,220,926</b>	<b>1,220,926</b>	-	-	-	-
<b>Non-current assets</b>						
Other financial assets	1,205	1,205	-	-	-	-
Property, plant and equipment						
Land and buildings	617,779	575,351	-	42,428	-	42,428
Plant and equipment	1,201,468	1,201,468	-	-	-	-
Infrastructure systems	8,916,957	6,051,693	-	2,865,264	-	2,865,264
Property, plant and equipment	10,736,204	7,828,512	-	2,907,692	-	2,907,692
Right of use assets	927,683	927,683	-	-	-	-
Other intangible assets	716,795	716,795	-	-	-	-
Other assets (prepaid asset)	-	1,057,028	-	(1,057,028)	-	(1,057,028)
<b>Total non-current assets</b>	<b>12,381,887</b>	<b>10,531,223</b>	-	<b>1,850,664</b>	-	<b>1,850,664</b>
<b>Total assets</b>	<b>13,602,813</b>	<b>11,752,149</b>	-	<b>1,850,664</b>	-	<b>1,850,664</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables	1,008,558	1,008,558	-	-	-	-
Contract liabilities	183	183	-	-	-	-
Borrowings	414,888	322,513	-	92,375	-	92,375
Provisions	14,038	14,038	-	-	-	-
Other liabilities	385,336	385,336	-	-	-	-
<b>Total current liabilities</b>	<b>1,823,003</b>	<b>1,730,628</b>	-	<b>92,375</b>	-	<b>92,375</b>
<b>Non-current liabilities</b>						
Borrowings	3,382,147	765,321	-	2,616,826	-	2,616,826
Provisions	9,000	9,000	-	-	-	-
Other liabilities	45	45	-	-	-	-
<b>Total non-current liabilities</b>	<b>3,391,192</b>	<b>774,366</b>	-	<b>2,616,826</b>	-	<b>2,616,826</b>
<b>Total liabilities</b>	<b>5,214,195</b>	<b>2,504,994</b>	-	<b>2,709,201</b>	-	<b>2,709,201</b>
<b>Net assets</b>	<b>8,388,618</b>	<b>9,247,155</b>	-	<b>(858,537)</b>	-	<b>(858,537)</b>

\*AASB1059 had nil impact on toll roads Transport for NSW did not hold any toll roads as at 1 July 2019. Refer to Note 23 for further details of the administrative restructure of RMS occurring in the year ended 30 June 2020.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

**Impact on Statement of financial position (increase/(decrease)) as at 30 June 2020:**

	30 Jun 2020	30 Jun 2020	30 Jun 2020	30 Jun 2020	30 Jun 2020	30 Jun 2020
	AASB 1059	Without adoption of AASB 1059	Impact of AASB 1059	Impact of AASB 1059	Impact of TPP 06-08 repeal	Impact of AASB 1059
	\$ '000	\$ '000	Toll roads \$ '000	Other \$ '000	\$ '000	Total \$ '000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	1,643,257	1,643,257	-	-	-	-
Receivables	815,710	868,372	(19,977)	(32,685)	-	(52,662)
Inventories	4,663	4,663	-	-	-	-
Financial assets at fair value	119,970	119,970	-	-	-	-
Non-current assets held for sale	39,739	39,739	-	-	-	-
<b>Total current assets</b>	<b>2,623,339</b>	<b>2,676,001</b>	<b>(19,977)</b>	<b>(32,685)</b>	<b>-</b>	<b>(52,662)</b>
<b>Non-current assets</b>						
Receivables	198,653	2,578,807	(2,561,465)	-	181,311	(2,380,154)
Other financial assets	256,027	256,027	-	-	-	-
Property, plant and equipment						
Land and buildings	4,206,627	4,053,798	111,040	41,789	-	152,829
Plant and equipment	1,979,811	1,974,359	5,452	-	-	5,452
Infrastructure systems	126,518,790	104,755,306	21,763,484	-	-	21,763,484
<b>Property, plant and equipment</b>	<b>132,705,228</b>	<b>110,783,463</b>	<b>21,879,976</b>	<b>41,789</b>	<b>-</b>	<b>21,921,765</b>
Right of use assets	1,613,339	1,622,745	-	(9,406)	-	(9,406)
Intangible private sector provided infrastructure	-	2,779,746	(2,779,746)	-	-	(2,779,746)
Other intangible assets	1,010,854	1,010,854	-	-	-	-
<b>Total non-current assets</b>	<b>135,784,101</b>	<b>119,031,642</b>	<b>16,538,765</b>	<b>32,383</b>	<b>181,311</b>	<b>16,752,459</b>
<b>Total assets</b>	<b>138,407,440</b>	<b>121,707,643</b>	<b>16,518,788</b>	<b>(302)</b>	<b>181,311</b>	<b>16,699,797</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables	1,944,837	1,950,310	-	(5,473)	-	(5,473)
Contract liabilities	222,252	222,252	-	-	-	-
Borrowings	897,578	386,828	462,522	48,228	-	510,750
Provisions	85,390	85,390	-	-	-	-
Other liabilities	962,557	523,895	438,662	-	-	438,662
<b>Total current liabilities</b>	<b>4,112,614</b>	<b>3,168,675</b>	<b>901,184</b>	<b>42,755</b>	<b>-</b>	<b>943,939</b>
<b>Non-current liabilities</b>						
Payables	181,311	-	-	-	181,311	181,311
Contract liabilities	57,839	57,839	-	-	-	-
Borrowings	4,668,107	3,570,631	260,813	836,663	-	1,097,476
Provisions	31,703	31,703	-	-	-	-
Other liabilities	14,525,790	650,543	13,875,247	-	-	13,875,247
<b>Total non-current liabilities</b>	<b>19,464,750</b>	<b>4,310,716</b>	<b>14,136,060</b>	<b>836,663</b>	<b>181,311</b>	<b>15,154,034</b>
<b>Total liabilities</b>	<b>23,577,364</b>	<b>7,479,391</b>	<b>15,037,244</b>	<b>879,418</b>	<b>181,311</b>	<b>16,097,973</b>
<b>Net assets</b>	<b>114,830,076</b>	<b>114,228,252</b>	<b>1,481,544</b>	<b>(879,720)</b>	<b>-</b>	<b>601,824</b>
<b>Equity</b>						
Accumulated funds	114,139,627	113,685,649	1,333,698	(879,720)	-	453,978
Reserves	690,449	542,603	147,846	-	-	147,846
<b>Total equity</b>	<b>114,830,076</b>	<b>114,228,252</b>	<b>1,481,544</b>	<b>(879,720)</b>	<b>-</b>	<b>601,824</b>

Further details on the nature of the service concession arrangements recognised from AASB 1059 is available in Note 14.

# Transport for NSW

## Notes to the financial statements

for the year ended 30 June 2021

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

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

##### (ii) Issued but not yet effective

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

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

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-8 <i>Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
AASB 2020-3 <i>Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022
AASB 2020-1 <i>Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current</i>	1 January 2023

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

##### (i) Changes in accounting estimates

Upon adoption of AASB 1059, Transport for NSW is required to measure existing assets reclassified as service concession assets at fair value (current replacement cost) at the date of initial application. Therefore, comprehensive valuations were performed at 1 July 2019 using current replacement cost approach for existing property, plant and equipment, and intangible assets previously measured at fair value using market or income approach. The impact of these changes in accounting estimates are summarised in Note 1(h) and Note 14.

##### (j) Going concern

The financial statements have been prepared on a going concern basis which assumes that Transport for NSW is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. This is supported by Transport for NSW receiving annual appropriations from the Consolidated Fund through the Appropriation Act. The 2021-22 budget papers includes a budgeted appropriation of \$23.2 billion for Transport for NSW for the 2021-22 financial year. This allows Transport for NSW to continue its operations and pay its debts alongside the availability of its receivables and cash reserves, noting that \$549.5 million of the current liability relates to non-cash items.

##### (k) Impact of COVID-19 on financial reporting for 2021

The COVID-19 pandemic continues to impact financial reporting for Transport for NSW. The potential impacts of COVID-19 on the financial statements have been disclosed in the relevant notes where applicable. Financial impacts are as follows:

- Passenger service revenue received from operators prior to the onset of COVID-19 was approximately \$160.0 million a month. Passenger service revenue in June 2021 was approximately \$80.0 million during the month, reducing from approximately \$100.0 million received in May 2021. The result of this to the financial statements is higher contract payment expenses (refer Note 2(g)). NSW Treasury has provided funding to Transport for NSW to offset this shortfall in 2021. The impact of COVID-19 on passenger service revenue in the future is currently unknown, particularly with the recent onset of the Delta strain and subsequent lockdowns.
- Transport for NSW's right of use assets have been subject to impairment of \$6.3 million (2020: \$71.6 million) due to the continuing decrease in demand for commercial office space.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**2. Expenses excluding losses**

**(a) Personnel service expenses**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages (including recreation leave)	867,277	642,467
Superannuation - defined benefit plans	7,877	7,493
Superannuation - defined contribution plans	80,569	55,272
Long service leave	25,760	34,207
Workers' compensation insurance	(1,337)	4,419
Payroll tax and fringe benefits tax	53,869	41,809
Redundancy payments	23,733	13,274
Other employee expenses	4,426	1,144
<b>Personnel service expenses</b>	<b>1,062,174</b>	<b>800,085</b>
<b>Reconciliation of aggregate personnel service expenses</b>		
Capitalised personnel service expenses	465,652	274,561
Major rail project expenses	131,072	114,994
<b>Aggregate personnel service expenses</b>	<b>1,658,898</b>	<b>1,189,640</b>

Included in the above are personnel service expenses of \$106.6 million (2020: \$93.8 million) related to maintenance.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

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

#### (b) Other operating expenses

	2021 \$'000	Restated 2020 \$'000
Auditor's remuneration - audit of the financial statements	1,468	1,233
Advertising and Marketing	38,231	31,023
M5 Cashback refund	124,100	61,100
Telecommunications	11,802	40,579
Consultants and other contractors	889,546	552,016
Shared service charges	224,111	113,152
Electricity, gas and water	12,048	11,841
Fleet hire and leasing charges including contingent rents and rail access fees	57,327	38,394
General expenses	112,060	86,788
Information technology	325,937	205,207
Insurance	24,177	11,444
Property rent and other related expenses	59,154	40,752
Legal services	14,794	9,969
External maintenance costs	146,596	35,948
Materials	35,234	27,957
Office expenses	68,664	35,787
Payments to councils and external bodies	2,619	9,298
Security costs	8,061	4,710
Special number plates concession fees	32,787	16,094
Sydney Harbour Tunnel operating fees	39,594	18,608
Taxes, rates and related charges	4,750	1,934
Travel expenses	10,435	8,017
<b>Other operating expenses</b>	<b>2,243,495</b>	<b>1,361,851</b>
<b>Reconciliation of total maintenance</b>		
Operational maintenance in Note 2(b)	146,596	35,948
Consultants and other contractors	180,902	175,900
Corporate services, information technology and telecommunication expenses	33,441	21,097
Operating lease rental expenses	33,717	30,167
Payments to councils and external bodies for state road works	172	575
Other	3,427	2,898
<b>Maintenance expense in other operating expenses</b>	<b>398,255</b>	<b>266,585</b>
Depreciation - right of use assets	6,341	6,318
Maintenance related to personnel service expenses in Note 2(a)	106,580	93,775
<b>Total maintenance expenses</b>	<b>112,921</b>	<b>100,093</b>
Maintenance grants to councils for local road works in Note 2(e)	349,191	203,134
Capitalised maintenance	644,720	264,732
<b>Total maintenance program</b>	<b>1,505,087</b>	<b>834,544</b>

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. Transport for NSW capitalised \$644.7 million (2020: \$264.7 million) for such works during the year.



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**(c) Major rail project expenses**

	<b>2021</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2020</b>
		<b>\$'000</b>
Personnel related expenses	131,072	114,994
Consultants and other contractors	1,728,861	1,235,203
Property acquisition	30,817	624
Insurance	1,597	942
Legal services	2,381	619
Rent and other related expenses	2,280	6,584
Information technology and telecommunication expenses	17,457	8,097
Other	18,826	6,237
<b>Major rail project expenses</b>	<b>1,933,291</b>	<b>1,373,300</b>
<b>Gross amount due from/(to) TAHE and billing to date are as follows:</b>		
Costs incurred	1,933,291	1,373,300
Billings to date	(1,578,607)	(1,191,989)
<b>Gross amount due from TAHE</b>	<b>354,684</b>	<b>181,311</b>

**(d) Depreciation and amortisation**

	<b>2021</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2020</b>
		<b>\$'000</b>
	<b>Notes</b>	
<b>Property, plant and equipment:</b>		
Depreciation of infrastructure systems	14	2,256,037
Depreciation of buildings	14	49,661
Depreciation of plant and equipment	14	255,412
<b>Total depreciation of property, plant and equipment</b>		<b>2,561,110</b>
<b>Right of use assets:</b>		
Depreciation of land and buildings		69,313
Depreciation of plant and equipment		111,242
<b>Total depreciation of right of use assets</b>		<b>180,555</b>
<b>Intangible assets:</b>		
Amortisation of intangible assets	16	172,462
<b>Total amortisation</b>		<b>172,462</b>
<b>Depreciation and amortisation</b>		<b>2,914,127</b>
<b>Right of use assets: reconciliation to Note 15</b>		
Depreciation of land and buildings		69,313
Right of use depreciation capitalised		7,134
<b>Total depreciation for land and buildings</b>	15	<b>76,447</b>
Depreciation of plant and equipment		111,242
Right of use depreciation capitalised		19,784
<b>Total depreciation for plant and equipment</b>	15	<b>131,026</b>

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

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

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

#### (e) Grants and subsidies

	Notes	2021 \$'000	Restated 2020 \$'000
Community transport groups		86,584	88,837
Taxi Transport Subsidy Scheme		37,262	40,685
Private Vehicle Conveyance		8,715	13,347
Carparks and interchanges		5,650	11,274
Grants to local councils		911,420	354,900
Grants to local councils & other parties - transfer of property, plant and equipment	14	833,554	556,533
National transport regulators		8,104	9,366
Road safety grant to NSW Police and local councils		26,600	27,785
Rail services and capital works		3,127,014	2,411,998
Former Roads and Maritime services and capital works		-	3,323,503
Point to point assistance package <sup>1</sup>		9,130	12,560
Sydney Metro services and capital works		4,422,871	2,646,899
Grants to local councils & other parties - transfer of assets		114,511	52,769
Other transport operators		11,886	10,950
<b>Grants and subsidies</b>		<b>9,603,301</b>	<b>9,561,406</b>

<sup>1</sup> 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 and had three streams, including the Additional Assistance Payment Scheme which allowed successful applicants the option to elect to be paid in three equal instalments over three financial years. Final payments under this scheme will be made in July 2021.

#### (f) Finance costs

	2021 \$'000	Restated 2020 \$'000
Other finance costs	1,745	120
Interest expense from lease liabilities	67,669	60,819
Interest expense from financial liabilities at amortised cost <sup>1</sup>	64,374	77,346
<b>Finance costs</b>	<b>133,788</b>	<b>138,285</b>

<sup>1</sup> Of the interest expense from financial liabilities at amortised cost, \$64.4 million (2020: \$77.3 million) related to financial liabilities relating to service concession arrangements. Refer to Note 14 for further details on service concession arrangements.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**(g) Other expenses**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Bus contract payments - metropolitan and outer metro bus operators	1,070,827	944,024
Major events - bus and rail services	5,248	3,076
Ferry contract payments	126,996	106,497
Light rail contract payments	101,535	55,581
Bus contract payments - rural and regional bus operators	424,685	412,080
Nightride bus services	6,188	6,516
<b>Other expenses</b>	<b>1,735,479</b>	<b>1,527,774</b>

Other expenses include payments to bus, ferry and light rail operators for the provision of bus, ferry and light rail services in the metropolitan, regional and rural areas of New South Wales. As a result of the application of AASB 15 *Revenue from Contracts with Customers*, Transport for NSW was identified as acting as an agent for the purpose of collecting passenger service revenue. As such, revenue from passenger services is not recognised by Transport for NSW; instead it is applied to offset contract payment expenses.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

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

#### Recognition and measurement

##### (i) Personnel service expenses

Transport for NSW does not directly employ staff. Personnel services are provided by the Transport Service of New South Wales and the Department of Transport and include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies.

Some personnel service expenses are capitalised to the construction costs of property, plant and equipment and intangible assets.

##### (ii) Other operating expenses

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

##### (iii) Insurance

Transport for NSW arranges insurance cover through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The cost of insurance is expensed in the period to which the insurance cover relates.

Transport for NSW also arranges Principal Arranged Insurance (PAI) which provides cover for its construction projects. The premium cost is amortised on a straight-line basis over the term of the contract for all insurance policies.

##### (iv) Lease expense

Transport for NSW recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

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

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

##### (v) Shared service charges

Shared service charges represent services provided by Service NSW to Transport for NSW. Since 1 July 2020, Transport for NSW is not charged for the services performed as the budget ownership for the related costs has transferred to Service NSW. The shared service charges are recognised as incurred and are measured at the equivalent fair value of the services received with a corresponding non-cash grant also recognised, refer to Note 3(d).

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

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

#### **(vi) Maintenance expense**

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

#### **(vii) Major rail project expenses**

Transport for NSW manages the design and construction of major rail projects on behalf of TAHE. Since 1 July 2015, TAHE receives a direct equity injection from the Crown in the right of the State of New South Wales to fund its contract activities with Transport for NSW. Under this funding arrangement, TAHE usually reimburses Transport for NSW for construction costs incurred on a monthly basis but there may be instances of deferred payments, in line with Transport for NSW's payment schedule to any private sector operators. Contract costs relating to satisfied or partly satisfied performance obligations are recognised as expenses when incurred.

#### **(viii) Grants and subsidies**

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

#### **(ix) Finance costs**

Finance costs comprise mainly interest on borrowings, including service concession financial liabilities, and interest charges from leases. In accordance with Treasury's mandate 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.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**3. Revenue**

**(a) Appropriation**

	2021 \$ '000	2021 \$ '000	2020 \$ '000	2020 \$ '000
	Appropriation	Expenditure	Appropriation	Expenditure
Appropriations Act	20,343,553	17,929,256	14,143,868	13,985,459
Additional/(reduced) Appropriations	(2,502,525)	-	(203,318)	-
Section 4.13 GSF Act 2018 - exigencies of Government	-	-	128,810	-
Section 4.11 GSF Act 2018 - variations for annual appropriation for Commonwealth grants	-	-	29,018	-
Payment variation under the Appropriation Act - transfers to/from agency	-	-	495,175	-
Section 34 of the Appropriations Act 2020 COVID 19 Pandemic Variance	570,614	-	-	-
<b>Total appropriations / expenditure / net claim on Consolidated Fund (includes transfer payments)</b>	<b>18,411,642</b>	<b>17,929,256</b>	<b>14,593,553</b>	<b>13,985,459</b>
<b>Amount drawn down against Appropriation</b>		<b>17,929,256</b>		<b>13,985,459</b>
<b>Liability to Consolidated Fund</b>		<b>-</b>		<b>-</b>
Appropriation (per Statement of comprehensive income)		<b>17,929,256</b>		<b>13,985,459</b>
Comprising:				
Recurrent appropriations		11,811,359		9,820,937
Capital appropriations		6,117,897		4,164,522
		<b>17,929,256</b>		<b>13,985,459</b>

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'.

Parliamentary Appropriations received have been used up during the financial year.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

	<b>2021</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2020</b>
		<b>\$'000</b>
Toll and tag revenue	134,173	73,407
Number plates	175,731	90,690
Publications	6,554	3,826
Advertising	18,064	8,359
Boat licenses	27,344	15,335
Boat registrations	27,485	15,527
Channel fees	8,007	5,953
Moorings	10,696	6,375
Other	62,826	38,160
Fees for services rendered	120,153	68,233
Access fees	-	300
Major events revenue	51	2,762
Training	1,074	1,053
Recoupment of project costs	83,012	64,858
Rental income	60,826	39,504
Heavy vehicle permit fees	4,955	2,968
<b>Sale of goods and services from contracts with customers</b>	<b>740,951</b>	<b>437,310</b>

**(c) Investment revenue**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Net gain/(loss) from TCorp IM Funds measured at fair value through profit or loss	14,029	(4,206)
Interest income from financial assets not at fair value through profit or loss	2,210	5,768
Amortisation of zero interest Sydney Harbour Tunnel loan	12,830	7,027
M2 and Eastern Distributor promissory notes	11,252	943
<b>Investment revenue</b>	<b>40,321</b>	<b>9,532</b>

**(d) Shared and corporate services revenue**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Shared and corporate services revenue	253,006	294,412
<b>Shared and corporate services revenue</b>	<b>253,006</b>	<b>294,412</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

### 3. Revenue (cont'd)

#### (e) Grants and contributions

	2021 \$'000	Restated 2020 \$'000
Commonwealth Home Support Program	77,706	75,948
NSW government agencies - others (non-transport)	391,343	105,491
Private firms and individuals	24,606	6,143
Grants from other transport agencies	-	2,937
The Crown in the right of the State of New South Wales <sup>1</sup>	2,410,408	2,935,367
Local government	83	6,541
Other State and Territory government agencies	10,709	2,100
<b>Grants and contributions</b>	<b>2,914,855</b>	<b>3,134,527</b>

<sup>1</sup> Transport for NSW received grants from the Crown in the right of the state of NSW \$27.2 million (2020: \$32.8 million) to fund redundancies in the Transport cluster, \$373.5 million (2020: \$1,093.4 million) for capital works, \$1,036.6 million (2020: \$1,438.6 million) for Sydney Metro, \$510.7 million (2020: \$288.7 million) for the Parramatta Light Rail project, \$141.0 million for the Albion Park rail bypass (2020: nil), \$102.7 million for the Berry to Bomaderry upgrade and \$218.7 million (2020: \$81.9 million) for other projects.

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

	2021 \$'000	2020 \$'000
Sanction fees payable under the Fines Act	8,661	7,957
National Heavy Vehicle Regulator charges	59,890	34,552
<b>Retained taxes, fees and fines</b>	<b>68,551</b>	<b>42,509</b>

#### (g) Major rail project revenue

	Notes	2021 \$'000	Restated 2020 \$'000
Major rail project revenue	2(c)	1,933,291	1,373,300
<b>Major rail project revenue</b>		<b>1,933,291</b>	<b>1,373,300</b>

#### (h) Resources received free of charge

	2021 \$'000	2020 \$'000
Personnel service - superannuation - defined benefit	8,062	7,489
Personnel service - long service leave	27,466	36,424
Personnel service - payroll tax	505	383
<b>Resources received free of charge</b>	<b>36,033</b>	<b>44,296</b>



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**(i) Other revenue**

	Notes	2021 \$'000	Restated 2020 \$'000
Revenue related to service concession arrangements *		507,601	184,488
Principal arranged insurance refund		19,365	3,568
Recognition of property, plant and equipment	14	3,422	87,795
Other		33,564	15,085
<b>Other revenue</b>		<b>563,952</b>	<b>290,936</b>

\*This revenue reflects the progressive unwinding of the 'grant of right to operate' liability (Note 22) over the remaining period of the arrangement. Refer to Note 14 for further details on service concession arrangements.

**Recognition and measurement**

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

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

**(i) Parliamentary appropriations and contributions**

Transport for NSW receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Act for that year.

Parliamentary appropriations 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 22 as part of "Other liabilities". The amount will be repaid and the liability will be extinguished in the next financial year.

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

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

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

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

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

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

#### **(iii) Rendering of services**

Revenue from rendering of services is recognised when Transport for NSW satisfies the performance obligation by transferring the promised services. The type of services provided by Transport for NSW is outlined in Note 3(b).

Transport for NSW typically satisfies its performance obligations when the service is provided or over the term of the service period. The payments are typically due after performance obligations have been satisfied.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

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

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

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

Shared and corporate services revenue represents revenue for the provision of shared and other corporate services to various transport operating entities and is recognised when Transport for NSW satisfies the performance obligation by transferring the promised services. Transport for NSW typically satisfies its performance obligations when the service is provided or over the term of the service period. The payments are typically due after performance obligations have been satisfied.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

### 3. Revenue (cont'd)

#### (vi) Grants and contributions

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

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

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

Receipt of volunteer services is recognised when the fair value of those services can be reliably determined and the services would have been purchased if not donated. No volunteer services have been recognised because the services would not have been purchased if not donated.

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

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

#### (viii) Major rail revenue

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

#### (ix) Resources received free of charge

Resources received free of charge is recognised for personnel services assumed by the Crown in the right of the state of New South Wales including long service leave and defined benefit superannuation.

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

	Notes	2021 \$'000	2020 \$'000
Proceeds from asset sales		2,519	835
Net carrying amount of property, plant and equipment disposed	14	(4,738)	(7,867)
Net carrying amount of right of use assets under lease disposed	15	(1,586)	(7,946)
Net carrying amount of intangibles disposed	16	(573)	(100)
Gain/(loss) on disposal of non-current assets held for sale		9,255	2,563
<b>Gain/(loss) on disposal</b>		<b>4,877</b>	<b>(12,515)</b>

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2021

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

	Notes	2021 \$'000	Restated 2020 \$'000
Carrying amount of property plant and equipment written off	14	(382,868)	(53,437)
Net revaluation increment/(decrement) recognised in net result	14	(188,107)	(152,880)
Impairment reversal/(losses) on property, plant and equipment	14	123,026	(353,518)
Impairment losses on assets held for sale		(7,222)	-
Impairment losses on right of use assets	15	(6,319)	(71,557)
Foreign exchange gains/(losses)		191	(85)
Derivative gains/(losses)		(23)	(37)
Bad debts (written off)/recovered		52	-
<b>Other gains / (losses)</b>		<b>(461,270)</b>	<b>(631,514)</b>

**Recognition and measurement**

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

In regards to infrastructure assets written off, in cases where Transport for NSW constructs a new infrastructure asset that substantially replaces an existing asset (rather than performing work to maintain the existing asset), the capitalised value of the original asset is written off and the new asset is included within the additions to infrastructure assets Note 14.

**6. Program groups of Transport for NSW**

Statement of comprehensive income

	Successful places for communities		Connecting our customers' whole lives		Transport systems and solutions		Not attributable		Total	
	2021 \$ '000	Restated 2020 \$ '000	2021 \$ '000	Restated 2020 \$ '000	2021 \$ '000	Restated 2020 \$ '000	2021 \$ '000	Restated 2020 \$ '000	2021 \$ '000	Restated 2020 \$ '000
<b>Expenses excluding losses</b>										
Personnel service expenses	67,878	27,920	873,720	611,786	120,576	160,379	-	-	1,062,174	800,085
Other operating expenses	268,417	49,117	1,705,078	1,113,452	270,000	199,282	-	-	2,243,495	1,361,851
Major rail project expense	-	-	-	-	1,933,291	1,373,300	-	-	1,933,291	1,373,300
Depreciation and amortisation	323,596	192,000	1,313,534	779,364	1,276,997	757,686	-	-	2,914,127	1,729,050
Grants and subsidies	153,371	150,088	5,010,062	6,283,313	4,439,868	3,128,005	-	-	9,603,301	9,561,406
Finance costs	1,142	1,181	120,162	124,201	12,484	12,903	-	-	133,788	138,285
Other expenses	36	32	1,082,880	953,279	652,563	574,463	-	-	1,735,479	1,527,774
<b>Total expenses excluding losses</b>	<b>814,440</b>	<b>420,338</b>	<b>10,105,436</b>	<b>9,865,395</b>	<b>8,705,779</b>	<b>6,206,018</b>	<b>-</b>	<b>-</b>	<b>19,625,655</b>	<b>16,491,751</b>
<b>Revenue</b>										
Appropriation	-	-	-	-	-	-	17,929,256	13,985,459	17,929,256	13,985,459
Sale of goods and services from contracts with customers	69,001	53,030	631,546	354,081	40,404	30,200	-	-	740,951	437,311
Investment revenue	11,758	1,726	28,562	7,403	-	403	-	-	40,320	9,532
Shared and corporate services revenue	2,024	2,355	227,958	265,265	23,024	26,792	-	-	253,006	294,412
Grants and contributions	1,311	1,409	1,454,956	1,564,606	1,458,588	1,568,512	-	-	2,914,855	3,134,527
Retained taxes, fees and fines	-	-	68,551	42,509	-	-	-	-	68,551	42,509
Major rail project revenue	-	-	-	-	1,999,291	1,373,299	-	-	1,933,291	1,373,299
Resources received free of charge	3,336	1,794	31,751	32,612	946	9,890	-	-	36,033	44,296
Other revenue	869	448	427,961	220,780	135,123	69,708	-	-	563,953	290,936
<b>Total revenue</b>	<b>88,299</b>	<b>60,762</b>	<b>2,871,285</b>	<b>2,487,256</b>	<b>3,591,376</b>	<b>3,078,804</b>	<b>17,929,256</b>	<b>13,985,459</b>	<b>24,480,216</b>	<b>19,612,281</b>
Gain/(loss) on disposal	11,776	3,041	(6,899)	(13,886)	-	(1,670)	-	-	4,877	(12,515)
Other gains/(losses)	(2,251)	(3,082)	(384,636)	(526,596)	(74,383)	(101,836)	-	-	(461,270)	(631,514)
Impairment reversal/(loss) on financial assets	-	-	(223)	(2,828)	-	-	-	-	(223)	(2,828)
<b>Net result</b>	<b>(716,617)</b>	<b>(359,617)</b>	<b>(7,625,909)</b>	<b>(7,921,449)</b>	<b>(5,188,785)</b>	<b>(3,230,720)</b>	<b>17,929,256</b>	<b>13,985,459</b>	<b>4,397,945</b>	<b>2,473,673</b>
<b>Other comprehensive income</b>										
Net gains/(losses) in commodity swaps and foreign exchange	-	-	33	(69)	-	-	-	-	33	(69)
Net increase/(decrease) in asset revaluation surplus	15,255	17,678	463,667	537,303	89,538	103,757	-	-	568,460	658,738
<b>Total other comprehensive income</b>	<b>15,255</b>	<b>17,678</b>	<b>463,700</b>	<b>537,234</b>	<b>89,538</b>	<b>103,757</b>	<b>-</b>	<b>-</b>	<b>568,493</b>	<b>658,669</b>
<b>Total comprehensive income</b>	<b>(701,362)</b>	<b>(341,939)</b>	<b>(7,162,209)</b>	<b>(7,384,216)</b>	<b>(5,099,247)</b>	<b>(3,126,963)</b>	<b>17,929,256</b>	<b>13,985,459</b>	<b>4,966,438</b>	<b>3,132,342</b>

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

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

**Statement of financial position**

	Successful places for communities		Connecting our customers' whole lives		Transport systems and solutions		Not attributable		Total	
	2021 \$ '000	Restated 2020 \$ '000	2021 \$ '000	Restated 2020 \$ '000	2021 \$ '000	Restated 2020 \$ '000	2021 \$ '000	Restated 2020 \$ '000	2021 \$ '000	Restated 2020 \$ '000
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	64,383	42,154	771,048	504,835	931,322	609,773	743,036	486,495	2,509,789	1,643,257
Receivables	150,998	170,300	881,926	581,970	79,083	63,439	-	-	1,112,007	815,710
Inventories	1,080	168	3,988	3,813	212	682	-	-	5,280	4,663
Financial assets at fair value	-	-	133,993	119,970	-	-	-	-	133,993	119,970
Non-current assets held for sale	22,254	29,783	240	8,445	13	1,511	-	-	22,507	39,739
Other financial assets (at amortised cost)	1,609	-	-	-	-	-	-	-	1,609	-
<b>Total current assets</b>	<b>240,324</b>	<b>242,405</b>	<b>1,791,195</b>	<b>1,219,033</b>	<b>1,010,630</b>	<b>675,405</b>	<b>743,036</b>	<b>486,495</b>	<b>3,785,185</b>	<b>2,623,339</b>
<b>Non-current assets</b>										
Receivables	90	48	2,052	1,092	371,035	197,513	-	-	373,177	198,653
Other financial assets	3,332	3,049	276,467	252,978	-	-	-	-	279,799	256,027
Property, plant and equipment										
Land and buildings	181,308	146,621	4,165,644	3,368,688	854,868	691,318	-	-	5,201,820	4,206,627
Plant and equipment	244,532	242,944	1,408,308	1,399,163	339,911	337,704	-	-	1,992,751	1,979,811
Infrastructure systems	198,944	189,637	111,165,152	105,964,433	21,364,218	20,364,720	-	-	132,728,314	126,518,790
Property, plant and equipment	624,784	579,202	116,739,104	110,732,284	22,558,997	21,393,742	-	-	139,992,885	132,705,228
Right of use assets	53,674	56,314	1,216,768	1,276,599	267,283	280,426	-	-	1,537,725	1,613,339
Intangible assets	279,652	298,258	550,652	587,289	117,490	125,307	-	-	947,794	1,010,854
<b>Total non-current assets</b>	<b>961,532</b>	<b>936,871</b>	<b>118,785,043</b>	<b>112,850,242</b>	<b>23,314,805</b>	<b>21,996,988</b>	<b>-</b>	<b>-</b>	<b>143,061,380</b>	<b>135,784,101</b>
<b>Total assets</b>	<b>1,201,856</b>	<b>1,179,276</b>	<b>120,576,238</b>	<b>114,069,276</b>	<b>24,325,435</b>	<b>22,672,394</b>	<b>743,036</b>	<b>486,495</b>	<b>146,846,565</b>	<b>138,407,440</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Payables	472,255	67,846	1,885,568	1,532,635	607,362	344,356	-	-	2,965,185	1,944,837
Contract liabilities	56,722	8,016	209,632	181,714	11,168	32,522	-	-	277,522	222,252
Borrowings	46,499	195,568	489,905	416,049	806,039	285,961	-	-	1,342,443	897,578
Provisions	26,943	68,189	5,765	14,590	1,032	2,611	-	-	33,739	85,390
Other liabilities	1,360	126	842,258	961,919	14,343	512	-	-	857,961	962,557
<b>Total current liabilities</b>	<b>603,778</b>	<b>339,745</b>	<b>3,433,128</b>	<b>3,106,907</b>	<b>1,439,944</b>	<b>665,962</b>	<b>-</b>	<b>-</b>	<b>5,476,850</b>	<b>4,112,614</b>
<b>Non-current liabilities</b>										
Payables	-	-	-	-	354,684	181,311	-	-	354,684	181,311
Contract liabilities	7,103	5,395	64,892	49,285	4,159	3,159	-	-	76,154	57,839
Borrowings	328,907	474,493	1,143,527	1,560,661	1,929,215	2,632,953	-	-	3,401,649	4,668,107
Provisions	24,451	28,681	5,232	2,561	936	461	-	-	30,619	31,703
Other liabilities	2,269	523,896	16,789,542	11,876,314	9,205	2,125,580	-	-	16,801,016	14,525,790
<b>Total non-current liabilities</b>	<b>362,730</b>	<b>1,032,466</b>	<b>18,003,193</b>	<b>13,488,821</b>	<b>2,298,199</b>	<b>4,943,464</b>	<b>-</b>	<b>-</b>	<b>20,664,122</b>	<b>19,464,750</b>
<b>Total liabilities</b>	<b>966,508</b>	<b>1,372,211</b>	<b>21,436,321</b>	<b>16,595,728</b>	<b>3,738,143</b>	<b>5,609,426</b>	<b>-</b>	<b>-</b>	<b>26,140,972</b>	<b>23,577,364</b>
<b>Net assets</b>	<b>235,348</b>	<b>(192,935)</b>	<b>99,139,917</b>	<b>97,473,548</b>	<b>20,587,292</b>	<b>17,062,968</b>	<b>743,036</b>	<b>486,495</b>	<b>120,705,593</b>	<b>114,830,076</b>

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

**Administered Expenses and Income**

	Successful places for communities		Connecting our customers' whole lives		Transport systems and solutions		Not attributable		Total	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
<b>Administered Expenses</b>										
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	2,644	4,637	2,644	4,637
<b>Total administered expenses</b>	-	-	-	-	-	-	<b>2,644</b>	<b>4,637</b>	<b>2,644</b>	<b>4,637</b>
<b>Administered Income</b>										
Transfer receipts - taxes, fees and fines	-	-	-	-	-	-	4,085,682	2,195,385	4,085,682	2,195,385
<b>Total administered income</b>	-	-	-	-	-	-	<b>4,085,682</b>	<b>2,195,385</b>	<b>4,085,682</b>	<b>2,195,385</b>
<b>Administered income less expenses</b>	-	-	-	-	-	-	<b>4,083,038</b>	<b>2,190,748</b>	<b>4,083,038</b>	<b>2,190,748</b>

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

The NSW Government has developed a set of State Outcomes which articulate the primary purpose for which public resources are being spent, and the goals that Government is seeking to achieve for its citizens. Transport for NSW's program groups are mapped to the following State Outcomes:

### **For communities: Successful places for communities**

This outcome reflects Transport's impact on communities across NSW, supporting them to achieve their desired social, cultural, and economic outcomes. The successful places for communities outcome focuses on:

- Integrated resilient and accessible transport networks and places
- Protecting and enhancing communities and their environments

### **For customers: Connecting our customers' whole lives**

The Transport cluster will deliver and enable transport solutions that blend seamlessly into its customers' lifestyles, catering for the wide range of journey types needed by people, and for the movement of freight. The connecting our customers' whole lives outcome focuses on:

- Safe, seamless journeys for people and goods
- New mobility options and experiences

### **For the people of NSW: Transport systems and solutions that are financially and environmentally sustainable, supporting economic activity across the state**

Transport must acknowledge and embrace the critical role we play in driving economic growth and improving the quality of life for the people of NSW. The 'transport systems and solutions that are financially and environmentally sustainable, supporting economic activity across the state' focuses on:

- Quality assets and efficient networks maintained at the right price
- Transport investment and solutions that service the people of NSW.



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**7. Cash and cash equivalents**

	2021 \$'000	2020 \$'000
Operating account	2,235,778	1,422,108
Remitting account, cash in transit and cash on hand <sup>1</sup>	104,947	62,842
On call deposits	64,380	65,988
Other	104,684	92,319
<b>Cash and cash equivalents<sup>2</sup></b>	<b>2,509,789</b>	<b>1,643,257</b>

<sup>1</sup>The remitting account balance above does not include cash of \$36.9 million (2020: \$44.1 million) relating to administered revenue held by Transport for NSW as at 30 June 2021 (refer to Note 29).

<sup>2</sup>The cash and cash equivalents account balance includes restricted cash (refer to Note 18).

Cash and cash equivalents comprise of cash at bank held predominantly through the Treasury Banking System (TBS). \$295.5 million (2020: \$258.8 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:

	2021 \$'000	2020 \$'000
Cash and cash equivalent (per Statement of financial position)	2,509,789	1,643,257
<b>Cash and cash equivalents (per Statement of cash flows)</b>	<b>2,509,789</b>	<b>1,643,257</b>

Refer Note 30 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Cash and cash equivalent assets includes funds held in trust for compulsory land acquisition compensation payable under the *Land Acquisition (Just Terms Compensation) Act 1991* of \$34.6 million (2020: \$35.9 million).

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

### 8. Receivables

	2021 \$'000	Restated 2020 \$'000
<b>Current receivables:</b>		
Trade receivables from contracts with customers	262,834	218,027
Goods and Services Tax receivable	362,108	272,260
Prepayments - others	261,819	177,906
Income receivable	10,196	13,913
Property sales	13,198	16,388
Other receivables	203,394	123,053
Sub-lease receivable	5,490	5,229
Investment income receivable	492	525
	<b>1,119,531</b>	<b>827,301</b>
Less: Allowance for expected credit loss	(7,524)	(11,591)
<b>Current receivables</b>	<b>1,112,007</b>	<b>815,710</b>
<b>Movement in allowance for expected credit loss</b>		
Opening balance at 1 July	(11,591)	-
Transfer as a result of administrative restructure	-	(8,824)
Increase in allowance recognised in net result	(223)	(2,828)
Amounts written off/(back) during the period	4,290	61
<b>Balance at 30 June</b>	<b>(7,524)</b>	<b>(11,591)</b>

	2021 \$'000	Restated 2020 \$'000
<b>Non-current receivables:</b>		
Prepayments - others	10,340	4,124
Receivables from TAHE	354,684	181,311
Sub-lease receivable	8,153	13,218
<b>Non-current receivables</b>	<b>373,177</b>	<b>198,653</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 30.

#### Recognition and measurement

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

#### Subsequent measurement

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

#### Impairment

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

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

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

### 9. Contract assets and liabilities

	2021 \$'000	2020 \$'000
Contract liabilities - current	277,522	222,252
Contract liabilities - non current	76,154	57,839
<b>Contract liabilities</b>	<b>353,676</b>	<b>280,091</b>

#### Recognition and measurement

Contract liabilities relate to consideration received in advance from customers in respect of licence fees and toll revenue, and for accrued revenue for projects where milestones have not yet been met. The balance of contract liabilities at 30 June 2021 and 30 June 2020 is driven by the amount of revenue that is prepaid by customers before they are utilised.

	2021 \$'000	2020 \$'000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	151,447	1,887
Revenue recognised from performance obligations satisfied in previous periods	-	-
Transaction price allocated to remaining performance obligations from contracts with customers	353,676	280,091

### 10. Inventories

	2021 \$'000	2020 \$'000
Materials, spare parts and other stores	5,280	4,663
<b>Inventories</b>	<b>5,280</b>	<b>4,663</b>

#### Recognition and measurement

Inventories consist mainly of raw materials and supplies used for the construction and maintenance of roads, bridges and traffic signals.

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the first in first out method.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost Transport for NSW would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**11. Financial assets at fair value**

	2021 \$'000	2020 \$'000
<b>Financial assets held for trading</b>		
Foreign exchange derivatives - cash flow hedges	-	6
<b>Financial assets held for trading</b>	<b>-</b>	<b>6</b>
<b>Financial assets at fair value through profit or loss</b>		
TCorp IM Funds - long-term growth facility	45,095	38,198
TCorp IM Funds - medium-term growth facility	88,898	81,766
<b>Financial assets at fair value through profit or loss</b>	<b>133,993</b>	<b>119,964</b>
<b>Current financial assets at fair value</b>	<b>133,993</b>	<b>119,970</b>

**Recognition and measurement**

**(i) Foreign exchange derivatives – cash flow hedges**

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

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.

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

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

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.

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

Transport for NSW's financial assets at fair value are classified, at initial recognition, as subsequently measured at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds 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 nor 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.

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.

The movement in the fair value of the NSW TCorp IM Funds incorporates distributions received as well as unrealised movements in fair value and is reported in Note 3(c) Investment revenue. Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 30.

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets held for sale</b>		
Land and buildings held for sale	22,507	39,739
<b>Non-current assets held for sale</b>	<b>22,507</b>	<b>39,739</b>

**Recognition and measurement**

Transport for NSW has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition, and the sale of the asset is expected to be completed within one year from the date of classification. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs of disposal.

These assets are not depreciated while they are classified as held for sale.

Land and buildings held for sale include properties that have been identified as no longer required to fulfil long-term plans for road development or administrative needs. These assets are placed on auction or tender as outlined in the annual asset selling plan and sales budget. Plant and equipment held for sale mainly consists of fleet assets that are no longer required for business purposes.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

### 13. Other financial assets

	2021 \$'000	2020 \$'000
<b>Current other financial assets</b>		
Biodiversity offset deposit	1,609	-
<b>Current other financial assets</b>	<b>1,609</b>	<b>-</b>
	2021 \$'000	2020 \$'000
<b>Non-current other financial assets</b>		
Loan to Sydney Harbour Tunnel Company Limited	201,642	188,812
M2 and Eastern distributor operators promissory notes	74,825	63,574
Interest free advances to taxi operators	3,332	3,641
<b>Non-current other financial assets</b>	<b>279,799</b>	<b>256,027</b>

Refer to Note 30 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments and Note 8 for information on the impairment of financial assets.

#### Recognition and measurement

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

Loans, promissory notes, held-to-maturity investments and other recoverable amounts are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially measured at fair value plus any transaction cost.

#### Subsequent measurement

##### *Loans and receivables*

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the Statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses) together with foreign exchange gains and losses.

##### *Financial assets at amortised cost*

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the Statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses).

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 30.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

### 13. Other financial assets (cont'd)

#### Impairment

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

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within 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.

### 14. Property, plant and equipment

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

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>As at 30 June 2021</b>				
Gross carrying amount	5,659,104	3,577,239	168,544,831	177,781,174
Accumulated depreciation and impairment	(457,284)	(1,584,488)	(35,816,517)	(37,858,289)
<b>Net carrying amount</b>	<b>5,201,820</b>	<b>1,992,751</b>	<b>132,728,314</b>	<b>139,922,885</b>
	<b>Restated</b>	<b>Restated</b>	<b>Restated</b>	<b>Restated</b>
	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>Restated as at 30 June 2020</b>				
Gross carrying amount	4,583,645	3,390,607	161,052,457	169,026,709
Accumulated depreciation and impairment	(377,018)	(1,410,796)	(34,533,667)	(36,321,481)
<b>Restated net carrying amount</b>	<b>4,206,627</b>	<b>1,979,811</b>	<b>126,518,790</b>	<b>132,705,228</b>

Pages 40 - 45 display the reconciliations of broad categories as a total. The reconciliations of classes of assets are disclosed in Pages 46 – 51 below.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 17.

#### Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current and prior reporting period is set out on the next page



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

<b>Year ended 30 June 2021</b>	<b>Notes</b>	<b>Land and buildings \$ '000</b>	<b>Plant and equipment \$ '000</b>	<b>Infrastructure systems \$ '000</b>	<b>Total property, plant and equipment \$ '000</b>
Net carrying amount at start of year		4,206,627	1,979,811	126,518,790	132,705,228
Additions		728,135	154,677	8,867,760	9,750,572
Disposals	4	(694)	(4,044)	-	(4,738)
Asset write-off	5	(4,104)	(1,165)	(377,599)	(382,868)
Reclassifications within property, plant and equipment		250,279	14,561	(264,840)	-
Reclassifications (to)/from intangible assets	16	-	91,184	7,751	98,935
Transfer (to)/from other assets and liabilities		-	-	(203,759)	(203,759)
Assets transferred (to)/from non-current assets held for sale		(69,551)	-	-	(69,551)
Depreciation expense	2(d)	(49,661)	(255,412)	(2,256,037)	(2,561,110)
First time recognition of acquisition	3(i)	2,929	-	493	3,422
Net increase/(decrease) in asset revaluation reserve		41,223	13,137	514,100	568,460
Revaluation increment/(decrement) through profit and loss	5	85,060	-	(273,167)	(188,107)
Asset transfer to/from equity	23(d)	4,086	-	-	4,086
Net increase in assets from administrative restructure	23(e)	30,598	2	874,540	905,140
Transfer to councils, NSW government agencies & other parties		(29,245)	-	(804,309)	(833,554)
Transfer from council		1,672	-	6,031	7,703
Reversal of impairment losses	5	4,466	-	118,560	123,026
<b>Net carrying amount at end of year</b>		<b>5,201,820</b>	<b>1,992,751</b>	<b>132,728,314</b>	<b>139,922,885</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 17.

Carrying amounts of service concession assets by type of arrangements are disclosed on page 72

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

		Land and buildings	Plant and equipment	Infrastructure systems	Total property, plant and equipment
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
<b>Restated year ended 30 June 2020</b>					
Net carrying amount at beginning of year		575,351	1,902,313	6,051,692	8,529,356
Reclassification to right of use asset		-	(700,845)	-	(700,845)
Net adjustment on initial application of AASB 1059		42,428	-	2,865,264	2,907,692
<b>Restated net carrying amount at beginning of the year</b>		<b>617,779</b>	<b>1,201,468</b>	<b>8,916,956</b>	<b>10,736,203</b>
Additions		278,811	170,514	5,248,865	5,698,190
Disposals	4	(2,881)	(4,986)	-	(7,867)
Asset write-off	5	-	-	(53,437)	(53,437)
Transfer (to)/from other assets and liabilities		(1,996)	(1,517)	(30,969)	(34,482)
Reclassifications (to)/from property, plant and equipment		200,527	742,357	(942,884)	-
Reclassifications (to)/from intangible assets	16	-	28,284	(46,275)	(17,991)
Assets transferred (to)/from non-current assets held for sale		(30,955)	(56)	-	(31,011)
Depreciation expense	2(d)	(30,888)	(233,733)	(1,145,106)	(1,409,727)
First time recognition of acquisition	3(i)	-	-	87,795	87,795
Net revaluation increment/(decrement) recognised in equity		23,314	5,939	629,485	658,738
Revaluation increment/(decrement) through profit and loss	5	(148,763)	-	(4,117)	(152,880)
Asset transfer (to)/from equity	23(d)	(255,189)	(41,145)	(4,402,381)	(4,698,715)
Net increase in assets from administrative restructure	23(e)	3,573,395	112,701	119,151,717	122,837,813
Transfer to councils, NSW government agencies & other parties		-	(15)	(556,523)	(556,538)
Transfer from council		-	-	320	320
Impairment losses	5	(1,306)	-	(352,212)	(353,518)
Transfer (to)/from other Transport agencies		(15,221)	-	17,556	2,335
<b>Restated net carrying amount at end of year</b>		<b>4,206,627</b>	<b>1,979,811</b>	<b>126,518,790</b>	<b>132,705,228</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 72

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**Property, plant and equipment held and used by Transport for NSW**

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>As at 30 June 2021</b>				
Gross carrying amount	4,624,145	3,577,239	168,167,915	176,369,299
Accumulated depreciation and impairment	(456,543)	(1,584,488)	(35,816,517)	(37,857,548)
<b>Net carrying amount</b>	<b>4,167,602</b>	<b>1,992,751</b>	<b>132,351,398</b>	<b>138,511,751</b>
<b>Restated as at 30 June 2020</b>				
	Restated Land and buildings \$'000	Restated Plant and equipment \$'000	Restated Infrastructure systems \$'000	Restated Total \$'000
Gross carrying amount	3,573,855	3,390,607	160,700,108	167,664,570
Accumulated depreciation and impairment	(376,715)	(1,410,796)	(34,533,667)	(36,321,178)
<b>Restated net carrying amount</b>	<b>3,197,140</b>	<b>1,979,811</b>	<b>126,166,441</b>	<b>131,343,392</b>

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

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	3,197,140	1,979,811	126,166,441	131,343,392
Additions	727,862	154,677	8,867,760	9,750,299
Disposals	(694)	(4,044)	-	(4,738)
Asset write-off	(4,104)	(1,165)	(377,599)	(382,868)
Reclassifications within property, plant and equipment	246,311	14,561	(264,840)	(3,968)
Reclassifications (to)/from intangible assets	-	91,184	7,751	98,935
Reclassifications (to)/from other assets	-	-	(203,759)	(203,759)
Assets transferred (to)/from non-current assets held for sale	(69,551)	-	-	(69,551)
Depreciation expense	(49,628)	(255,412)	(2,256,037)	(2,561,077)
First time recognition of acquisition	2,879	-	493	3,372
Net increase/decrease in asset revaluation reserve	41,223	13,137	514,100	568,460
Revaluation increment/(decrement) through profit and loss	70,655	-	(273,167)	(202,512)
Asset transfer (to)/from equity	4,086	-	(24,567)	(20,481)
Net increase in assets from administrative restructure	24,530	2	874,540	899,072
Transfer to councils, NSW government agencies & other parties	(29,245)	-	(804,309)	(833,554)
Transfer from council	1,672	-	6,031	7,703
Reversal of impairment losses	4,466	-	118,560	123,026
<b>Net carrying amount at end of year</b>	<b>4,167,602</b>	<b>1,992,751</b>	<b>132,351,398</b>	<b>138,511,751</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**Property, plant and equipment held and used by Transport for NSW (cont'd)**

	Restated	Restated	Restated	Restated
	Land and buildings	Plant and equipment	Infrastructure systems	Total property, plant and equipment
	\$'000	\$'000	\$'000	\$'000
<b>Restated year ended 30 June 2020</b>				
Net carrying amount at beginning of year	485,527	1,902,313	6,051,692	8,439,532
Reclassification to right of use asset	-	(700,845)	-	(700,845)
Net adjustment on initial application of AASB 1059	42,428	-	2,865,264	2,907,692
<b>Restated net carrying amount at beginning of the year</b>	<b>527,955</b>	<b>1,201,468</b>	<b>8,916,956</b>	<b>10,646,379</b>
Additions	278,812	170,509	5,248,864	5,698,185
Disposals	(2,881)	(4,986)	-	(7,867)
Asset write-off	-	-	(53,437)	(53,437)
Transfer (to)/from other assets and liabilities	(1,996)	(1,517)	(30,969)	(34,482)
Reclassifications within property, plant and equipment	181,147	742,357	(942,884)	(19,380)
Reclassifications (to)/from intangible assets	-	28,284	(46,275)	(17,991)
Assets transferred (to)/from non-current assets held for sale	(30,955)	(56)	-	(31,011)
Depreciation expense	(30,868)	(233,733)	(1,145,105)	(1,409,706)
First time recognition of acquisition	-	-	87,795	87,795
Net revaluation increment/(decrement) recognised in equity	10,968	5,939	641,640	658,547
Revaluation increment/(decrement) through profit and loss	(110,469)	-	(4,117)	(114,586)
Asset transfer (to)/from equity	(249,535)	(41,145)	(4,402,381)	(4,693,061)
Net increase in assets from administrative restructure	2,641,489	112,701	118,787,213	121,541,403
Transfer to councils, NSW government agencies & other parties	-	(10)	(556,523)	(556,533)
Transfer from council	-	-	320	320
Impairment losses	(1,306)	-	(352,212)	(353,518)
Transfer	(15,221)	-	17,556	2,335
<b>Restated net carrying amount at end of year</b>	<b>3,197,140</b>	<b>1,979,811</b>	<b>126,166,441</b>	<b>131,343,392</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

Property, plant and equipment where Transport for NSW is lessor under operating leases

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>As at 30 June 2021</b>				
Gross carrying amount	1,034,959	-	376,916	1,411,875
Accumulated depreciation and impairment	(741)	-	-	(741)
<b>Net carrying amount</b>	<b>1,034,218</b>	<b>-</b>	<b>376,916</b>	<b>1,411,134</b>

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>As at 30 June 2020</b>				
Gross carrying amount	1,009,790	-	352,349	1,362,139
Accumulated depreciation and impairment	(303)	-	-	(303)
<b>Net carrying amount</b>	<b>1,009,487</b>	<b>-</b>	<b>352,349</b>	<b>1,361,836</b>

A reconciliation of the carrying amount of each class of property, plant and equipment subject to an operating lease at the beginning and end of the reporting period is set out below:

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	1,009,487	-	352,349	1,361,836
Additions	273	-	-	273
Transfer (to)/from other classes of property, plant and equipment	3,968	-	-	3,968
Depreciation expense	(33)	-	-	(33)
Net revaluation increments less revaluation decrements recognised in equity	14,405	-	24,567	38,972
Net increase in assets from administrative restructure	6,068	-	-	6,068
Assets recognised for the first time	50	-	-	50
<b>Net carrying amount at end of year</b>	<b>1,034,218</b>	<b>-</b>	<b>376,916</b>	<b>1,411,134</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

Property, plant and equipment where Transport for NSW is lessor under operating leases

<b>Year ended 30 June 2020</b>	<b>Notes</b>	<b>Land and buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Infrastructure systems \$'000</b>	<b>Total property, plant and equipment \$'000</b>
Net carrying amount at beginning of year		89,824	-	-	89,824
Transfer (to)/from other classes of property, plant and equipment		19,380	-	-	19,380
Depreciation expense		(21)	-	-	(21)
Net revaluation increment/(decrement) recognised in equity		12,346	-	(12,155)	191
Net revaluation increment/(decrement) recognised in net result		(38,294)	-	-	(38,294)
Asset transfer (to)/from equity		(5,654)	-	-	(5,654)
Net increase in assets from administrative restructure		931,906	-	364,504	1,296,410
<b>Net carrying amount at end of year</b>		<b>1,009,487</b>	<b>-</b>	<b>352,349</b>	<b>1,361,836</b>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**Land and buildings reconciliation**

<b>Year ended 30 June 2021</b>	<b>Notes</b>	<b>Land \$'000</b>	<b>Buildings \$'000</b>	<b>Land acquired for future works \$'000</b>	<b>Leasehold improvements \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
Restated net carrying amount at beginning of year		619,300	463,304	2,962,374	48,471	113,178	4,206,627
Additions		395	-	610,895	499	116,343	728,132
Disposals		-	(655)	-	(39)	-	(694)
Asset write-off		-	(4,104)	-	-	-	(4,104)
Transfer (to)/from other classes of property, plant and equipment		(14,782)	279,591	(721)	53,964	(67,773)	250,279
Assets transferred (to)/from non-current assets held for sale		-	-	(69,551)	-	-	(69,551)
Depreciation expense	2(d)	-	(27,380)	-	(22,281)	-	(49,661)
Assets recognised for the first time		407	2,472	51	-	-	2,930
Net revaluation increments less revaluation decrements recognised in equity		59,044	(17,820)	(1)	-	-	41,223
Net revaluation increment/(decrement) recognised in net result		-	(31,773)	116,833	-	-	85,060
Asset transfer (to)/from equity		3,374	713	-	-	-	4,087
Net increase in assets from administrative restructure		29,402	1,196	-	-	-	30,598
Transfer from councils		1,672	-	-	-	-	1,672
Reversal of impairment losses		4,466	-	-	-	-	4,466
Transfer to council		-	(29,244)	-	-	-	(29,244)
<b>Net carrying amount at end of year</b>		<b>703,278</b>	<b>636,300</b>	<b>3,619,880</b>	<b>80,614</b>	<b>161,748</b>	<b>5,201,820</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 72

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**Land and buildings reconciliation (cont'd)**

		Land	Buildings	Land acquired for future works	Leasehold improvements	Assets under construction	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Restated year ended 30 June 2020</b>							
Net carrying amount at beginning of year		371,776	130,176	-	15,339	58,060	575,351
Net adjustment on initial application of AASB 1059		-	42,428	-	-	-	42,428
<b>Restated net carrying amount at beginning of year</b>		<b>371,776</b>	<b>172,604</b>	<b>-</b>	<b>15,339</b>	<b>58,060</b>	<b>617,779</b>
Additions		2,328	20,097	167,357	3,140	85,889	278,811
Disposals		-	(2,810)	-	(71)	-	(2,881)
Transfer (to)/from other classes of property, plant and equipment		100,701	125,306	8,361	9,872	(43,713)	200,527
Transfer (to)/from other assets and liabilities		-	(7)	-	(1,989)	-	(1,996)
Assets transferred (to)/from non-current assets held for sale		(13,938)	-	(17,017)	-	-	(30,955)
Depreciation expense	2(d)	-	(15,255)	-	(15,633)	-	(30,888)
Net revaluation increments less revaluation decrements recognised in equity		-	23,314	-	-	-	23,314
Net revaluation increment/(decrement) recognised in net result		-	-	(148,764)	-	-	(148,764)
Asset transfer (to)/from equity		(160,345)	(94,834)	-	(10)	-	(255,189)
Net increase in assets from administrative restructure		320,084	250,110	2,952,437	37,823	12,942	3,573,396
Impairment losses		(1,306)	-	-	-	-	(1,306)
Transfer (to)/from other Transport agencies		-	(15,221)	-	-	-	(15,221)
<b>Restated net carrying amount at end of year</b>		<b>619,300</b>	<b>463,304</b>	<b>2,962,374</b>	<b>48,471</b>	<b>113,178</b>	<b>4,206,627</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 72



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**Plant and equipment reconciliation**

<b>Year ended 30 June 2021</b>	<b>Notes</b>	<b>Plant and equipment \$'000</b>	<b>Buses \$'000</b>	<b>Rolling stock \$'000</b>	<b>Ferries \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
Restated net carrying amount at beginning of year		841,965	347,740	704,737	1,521	83,848	1,979,811
Additions		1,648	30,079	-	-	122,952	154,679
Disposals		(1,976)	(2,068)	-	-	-	(4,044)
Asset write-off		(1,165)	-	-	-	-	(1,165)
Transfer (to)/from other classes of property, plant and equipment		14,643	1	-	-	(83)	14,561
Reclassifications (to)/from intangible assets		47,932	-	-	-	43,251	91,183
Depreciation expense	2(d)	(185,619)	(45,103)	(24,554)	(136)	-	(255,412)
Net revaluation increments less revaluation decrements recognised in equity		1,042	-	12,095	-	-	13,137
Net increase in assets from administrative restructure		2	-	-	-	-	2
Transfer (to)/from assets under construction		35,953	-	-	-	(35,953)	-
<b>Net carrying amount at end of year</b>		<b>754,424</b>	<b>330,649</b>	<b>692,278</b>	<b>1,385</b>	<b>214,015</b>	<b>1,992,752</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 72

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**Plant and equipment reconciliation (cont'd)**

		Plant and equipment	Finance leased buses	Buses	Rolling stock	Ferries	Assets under construction	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Restated year ended 30 June 2020</b>								
Net carrying amount at beginning of year		795,016	700,845	328,904	70,784	844	5,920	1,902,313
Reclassification to right of use asset		-	(700,845)	-	-	-	-	(700,845)
<b>Restated net carrying amount at beginning of year</b>		<b>795,016</b>	<b>-</b>	<b>328,904</b>	<b>70,784</b>	<b>844</b>	<b>5,920</b>	<b>1,201,468</b>
Additions		3,798	-	66,923	376	-	99,417	170,514
Disposals		(2,796)	-	(2,190)	-	-	-	(4,986)
Transfer from other classes of property, plant and equipment		126,340	-	(2,662)	644,301	-	(25,624)	742,355
Reclassifications (to)/from intangible assets		43,157	-	-	-	-	(14,873)	28,284
Transfer (to)/ from other assets and liabilities		(1,517)	-	-	-	-	-	(1,517)
Assets transferred (to)/from non-current assets held for sale		(56)	-	-	-	-	-	(56)
Depreciation expense	2(d)	(176,019)	-	(43,235)	(14,239)	(240)	-	(233,733)
Net revaluation increments less revaluation decrements recognised in equity		1,507	-	-	3,515	917	-	5,939
Asset transfer (to)/from equity		(41,145)	-	-	-	-	-	(41,145)
Net increase in assets from administrative restructure		93,695	-	-	-	-	19,008	112,703
Transfer to councils, NSW government agencies & other parties		(15)	-	-	-	-	-	(15)
<b>Restated net carrying amount at end of year</b>		<b>841,965</b>	<b>-</b>	<b>347,740</b>	<b>704,737</b>	<b>1,521</b>	<b>83,848</b>	<b>1,979,811</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 72

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**Infrastructure systems reconciliation**

<b>Year ended 30 June 2021</b>	<b>Notes</b>	<b>Roads \$ '000</b>	<b>Land under roads and tracks \$ '000</b>	<b>Bridges and Tunnels \$ '000</b>	<b>Traffic signals network \$ '000</b>	<b>Traffic controls network \$ '000</b>	<b>Rail systems \$ '000</b>	<b>Maritime infrastructure \$ '000</b>	<b>Assets under construction \$ '000</b>	<b>Total \$ '000</b>
Restated net carrying amount at beginning of year		69,969,207	2,029,154	26,447,306	277,691	958,525	2,021,678	1,234,491	23,580,739	126,518,790
Additions		204,705	-	1,631,939	-	68,077	-	-	6,963,038	8,867,759
Asset write-off		(333,503)	-	(13,731)	(2,229)	(4,796)	-	-	(23,340)	(377,599)
Transfer (to)/from other classes of property, plant and equipment		5,087,466	12,390	7,838,794	70,968	1,082,755	(141,280)	13,579	(14,229,511)	(264,839)
Reclassifications (to)/from intangible assets		-	-	-	-	-	-	-	7,751	7,751
Transfer (to)/ from other assets and liabilities		-	-	-	-	-	-	-	(203,759)	(203,759)
Depreciation expense	2(d)	(1,285,031)	-	(560,281)	(43,206)	(275,761)	(45,191)	(46,567)	-	(2,256,037)
Assets recognised for the first time		487	6	-	-	-	-	-	-	493
Net revaluation increments less revaluation decrements recognised in equity		574,608	7,448	(125,290)	2,707	26,834	-	20,388	7,405	514,100
Net revaluation increment/(decrement) recognised in net result		-	18,404	(290,617)	-	-	(954)	-	-	(273,167)
Net increase in assets from administrative restructure	23(e)	-	-	-	-	-	-	868,416	6,124	874,540
Transfer to councils, NSW government agencies & other parties		(5,868)	(5,952)	(840)	-	-	(25,300)	(2,074)	(764,275)	(804,309)
Transfer from councils		-	-	300	-	-	-	-	5,731	6,031
Reversal of impairment losses		-	-	-	-	-	118,560	-	-	118,560
<b>Net carrying amount at end of year</b>		<b>74,212,071</b>	<b>2,061,450</b>	<b>34,927,580</b>	<b>305,931</b>	<b>1,855,634</b>	<b>1,927,513</b>	<b>2,088,233</b>	<b>15,349,902</b>	<b>132,728,314</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 72

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

**Infrastructure systems reconciliation (cont'd)**

		Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated
		Roads	Land under roads and tracks	Bridges and Tunnels	Traffic signals network	Traffic controls network	Rail systems	Maritime infrastructure	Assets under construction	Total
Restated year ended 30 June 2020	Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Net carrying amount at beginning of year		-	-	-	-	-	4,681,859	393	1,369,440	6,051,692
Net adjustment on initial application of AASB 1059		-	-	-	-	-	-	-	2,865,264	2,865,264
<b>Restated net carrying amount at beginning of year</b>		-	-	-	-	-	<b>4,681,859</b>	<b>393</b>	<b>4,234,704</b>	<b>8,916,956</b>
Additions		39,365	-	7,837	-	4,003	73,693	-	5,123,967	5,248,865
Asset write-off		(12,987)	-	(1,691)	(1,021)	(548)	-	(12,600)	(24,590)	(53,437)
Transfer (to)/from other classes of property, plant and equipment		831,530	14,349	210,245	26,987	39,900	2,415,881	18,392	(4,500,168)	(942,884)
Reclassifications (to)/from intangible assets		-	-	-	-	-	-	-	(46,275)	(46,275)
Transfer (to)/ from other assets and liabilities		(47,802)	3,834	22,334	-	(534)	-	7	(8,808)	(30,969)
Depreciation expense	2(d)	(713,937)	-	(230,804)	(24,148)	(130,421)	(34,378)	(11,418)	-	(1,145,106)
Assets recognised for the first time		-	32,480	12,324	-	758	700	36,973	4,560	87,795
Net revaluation increments less revaluation decrements recognised in equity		162,567	-	104,302	14,787	36,542	(20,941)	318,622	13,606	629,485
Net revaluation increment/(decrement) recognised in net result		-	(4,117)	-	-	-	-	-	-	(4,117)
Asset transfer (to)/from equity		-	-	-	-	-	(4,402,381)	-	-	(4,402,381)
Net increase in assets from administrative restructure	23(e)	69,696,935	1,996,895	26,322,438	257,186	1,008,825	-	884,122	18,985,316	119,151,717
Transfer to councils, NSW government agencies & other parties		(120)	-	-	-	-	(354,829)	-	(201,574)	(556,523)
Transfer from councils		-	-	320	-	-	-	-	-	320
Impairment losses		-	(14,287)	-	-	-	(337,925)	-	-	(352,212)
Transfer (to)/from other Transport agencies		13,656	-	-	3,900	-	-	-	-	17,556
<b>Restated net carrying amount at end of year</b>		<b>69,969,207</b>	<b>2,029,154</b>	<b>26,447,305</b>	<b>277,691</b>	<b>958,525</b>	<b>2,021,679</b>	<b>1,234,491</b>	<b>23,580,738</b>	<b>126,518,790</b>

Carrying amounts of service concession assets by type of arrangements are disclosed on page 72

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

### **Recognition and measurement**

#### **(i) Acquisition of property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian accounting standards.

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 23).

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

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

The cost of assets constructed for own use includes the cost of materials and direct labour, as well as an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets.

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

Where payment for property, plant and equipment is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted at an asset-specific rate over the period of credit.

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

#### **(iii) Capitalisation thresholds**

Property, plant and equipment and intangible assets costing above \$5,000 individually, or forming part of a network costing more than \$5,000, are capitalised. Items below these amounts are expensed in the period in which they are incurred.

Expenditure (including personnel service costs) in respect of road development and construction, bridge and tunnel replacement and some road safety and traffic management are capitalised as infrastructure systems (~~refer to Note 0(a) and 0(b)~~).

#### **(iv) Assets not able to be reliably measured**

Transport for NSW has minor cultural collection items such as prints, drawings and artefacts. These have no active market. Items considered immaterial have not been recognised in the Statement of financial position

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

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

**(v) Revaluation of property, plant and equipment**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 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.

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

Transport for NSW revalues each class of property, plant and equipment with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Refer to Note 17 for further information regarding fair value.

Comprehensive revaluations by external valuers are undertaken on a three year cycle for property assets, and on a five year cycle for infrastructure assets and specified plant and equipment, excluding Rolling stock and Rail infrastructure which are revalued on a rolling basis. Details of property, plant and equipment comprehensive revaluations are summarised as follows:

<b>Asset Category</b>	<b>Asset Class</b>	<b>Date of last comprehensive revaluation</b>
Land and buildings	Land	31 August 2018/2019*
	Buildings	31 August 2018/2019*
	Land acquired for future roadworks	31 March 2019
	Service concession assets - building	1 July 2019
Plant and equipment	Ferries	31 March 2020
	Buses	31 March 2017
	Rolling stock	31 March 2019/31 March 2020 for Newcastle Light Rail 31 March 2021 for CBD & South East Light Rail
	Service concession assets - equipment	1 July 2019

\* a small portion of Transport for NSW's land and buildings portfolio was revalued as at 31 December 2020.

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

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

**(v) Revaluation of property, plant and equipment (cont'd)**

<b>Asset Category</b>	<b>Asset Class</b>	<b>Date of last comprehensive revaluation</b>
Infrastructure systems	Roads	31 March 2018
	Land under roads and tracks	31 March 2021
	Bridges and tunnels	31 March 2018
	Traffic signals network	31 March 2019
	Traffic controls network	31 March 2019
	Maritime assets	31 March 2020
	Rail infrastructure	31 March 2019/31 March 2020 for Newcastle Light Rail 31 March 2021 for CBD & South East Light Rail
	Service concession assets - Roads	1 July 2019
	Service concession assets – Bridges and tunnels	1 July 2019
	Service concession assets - Traffic Control	1 July 2019
	Service concession assets - Land Under Roads	1 July 2019

In circumstances where asset values are deemed material, management may engage external valuers to perform an interim revaluation where changes in indicators/indices are lower than 20%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are material.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. Transport for NSW has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

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

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are subject to annual review.

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

### Recognition and measurement (cont'd)

#### (v) Revaluation of property, plant and equipment (cont'd)

#### Depreciation of Plant and equipment

<b>Asset</b>	<b>Measurement/Valuation Policy</b>	<b>Depreciation policy</b>
Plant and equipment	Current replacement cost	Depreciated on the straight-line method over the estimated useful life between 2 and 60 years.
Buses	Optimised replacement cost	Depreciated on the diminishing value method over the estimated useful life between 20 and 25 years.
Rolling stock	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of 25-30 years.
Ferries	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of 45 years.
Service concession assets - equipment	Current replacement cost	Depreciated on the straight-line method over the estimated useful life between 5 and 40 years

Land is not a depreciable asset.

For assets measured at current replacement cost, the carrying amount is considered to approximate the fair value of these assets.

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

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

Estimates of useful life for depreciation and amortisation purposes have been determined with regard to a number of factors including the expected retention period by Transport for NSW and the underlying physical, technical and commercial nature of the assets as defined in AASB 116 *Property, Plant and Equipment*. In accordance with this standard the shortest alternative useful life is applied.



## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

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

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

##### (v) Revaluation of property, plant and equipment (cont'd)

#### Land and buildings

Asset	Measurement/Valuation policy	Depreciation policy
Land and buildings	<p>Land and buildings in service are generally valued using the market approach and at current replacement cost (buildings). Where such properties are rented externally they are valued at current market value.</p> <p>Land and buildings in service are subject to comprehensive revaluation every three years by registered valuers. Desktop valuations will be carried out in the two years in between to ensure that carrying amounts do not differ materially from fair value at reporting date.</p>	<p>Land is not a depreciable asset.</p> <p>Buildings – Depreciated on the straight-line basis over the estimated useful life of between 10 and 99 years.</p>
Land and Buildings Acquired for Future Roadworks (LAFFRW)	<p>LAFFRW comprises of untenanted land for road (ULR), public reserves, rental and surplus properties.</p> <p>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.</p> <p>Desktop valuations will be carried out in the two years in between the comprehensive revaluation to ensure that carrying amounts do not differ materially from fair value at reporting date.</p> <p>Public reserves are initially valued at acquisition cost and revalued to the Urban Average Rateable Value per hectare within each Local Government Area (LGA) adjusted by an “open spaces ratio” (OSR).</p>	<p>No depreciation is charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.</p>
Leasehold improvements	Depreciated historical cost.	Amortised over the period of the lease, or the useful life of the leasehold improvement, whichever is shorter.
Service concession asset building	Current replacement cost	Depreciated on the straight-line method over the estimated useful life between 3 and 100 years.
Service concession asset – land	Current replacement cost	Land is not a depreciable asset

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

**(v) Revaluation of property, plant and equipment (cont'd)**

Individual LAFFRW parcels required for road construction are transferred to land under roads AUC when road construction begins. The date of transfer is the construction start date as detailed in the construction contract. At time of transfer, LAFFRW parcels are deemed to have no feasible alternative use and are revalued downwards to restriction in use. Included in the value of land and buildings in service is an amount of \$63.5 million (2020: \$30.3 million) for both land and buildings on Crown land excluding depreciation on the buildings. As Transport for NSW effectively controls this Crown land, it has been included in Transport for NSW's Statement of financial position. Should such Crown land be transferred or disposed of, associated buildings are written off in the financial year the transfer or disposal takes place.

**Infrastructure systems**

<b>Asset</b>	<b>Measurement/Valuation policy</b>	<b>Depreciation policy</b>
<b>Roads</b>	Current replacement cost	Depreciated over estimated useful life using straight-line method.
Earthworks – not depreciated		- Indefinite
Earthworks – depreciated		- 50 years
Pavement wearing surface – asphalt		- 18 - 25 years
Pavement wearing surface – spray sealed		- 7 - 12 years
Pavement wearing surface – concrete		- 18 - 25 years
Pavement base and sub-base		- 81 - 108 years
Culverts & drainage		- 50 - 100 years
Safety barriers		- 40 - 80 years
Fences		- 40 years
Noise walls		- 100 years
Medians		- 50 years
Rest areas		- 10 - 20 years
Other assets (footway, vegetation, landscaping, kerbs and gutters, guide posts, pavement markings, signposting, retaining walls		- 20 - 100 years

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2021

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

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

**(v) Revaluation of property, plant and equipment (cont'd)**

<b>Asset</b>	<b>Measurement/Valuation policy</b>	<b>Depreciation policy</b>
<b>Bridges and tunnels</b>	Current replacement cost	Depreciated over estimated useful life dependant on bridge type using straight-line method:
Timber structure and timber truss		- 60-100 years
Concrete structures		- 100 years
Steel structures		- 100 years
Heritage bridges		- 100 years
Bridge size culverts/tunnels		- 100 years
<b>Traffic signals</b>	Current replacement cost	Depreciated over estimated useful life using straight line method.
Lanterns		- 15 years
Posts		- 30 years
Loops		- 10 years
Controller		- 15 years
Civils		- 30 years
<b>Traffic Control Network</b>	Current replacement cost	Depreciated over estimated useful life dependant on asset type using straight-line method
Enforcement systems		- 10 - 40 years
Traffic monitoring units		- 15 years
Weather stations		- 15 - 40 years
Variable speed signs		- 15 - 40 years
Variable message signs		- 15 - 40 years
Tidal flow systems		- 20 years
Over-speed detection systems		- 15 - 40 years
Over-height detection systems		- 15 years
Vehicle detection classification system		- 15 - 40 years
Emergency warning systems		- 15 years
Advanced warning systems		- 15 - 40 years
Changeable message signs		- 15 - 40 years
Weigh-in-motion systems		- 15 - 40 years
Street lights		- 15 - 30 years
Emergency phones		- 15 - 30 years
School zone warning system		- 15 - 40 years
Traffic management centre		- 5 - 30 years

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2021

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

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

**(vi) Revaluation of property, plant and equipment (cont'd)**

<b>Asset</b>	<b>Measurement/Valuation policy</b>	<b>Depreciation policy</b>
<b>Land under roads, tracks and within road reserves</b>	The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land). The urban Average Rateable Value by LGA is derived from data provided by the Valuer-General.	No depreciation applied as land does not have limited useful life.
<b>Rail systems</b>	Current replacement cost	Depreciated over estimated useful life of between 15 and 100 years.
<b>Maritime infrastructure</b>		
Wharves and jetties	Current replacement cost	Depreciated over estimated useful life of between 2 and 50 years.
Seawalls, training walls and revetments	Current replacement cost	Depreciated over estimated useful life between 9 and 80 years.
Dredging assets - not depreciated Dredging asset depreciated	Current replacement cost	Indefinite lives Depreciated over estimated useful life of 24 years
Maritime roads, accessways and slipways	Current replacement cost	Depreciated over estimated useful life between 40 years.
Aids to navigation	Current replacement cost	Depreciated on the estimated useful life of between 10 and 30 years.
Moorings and wetlands	Income approach Current replacement cost	Indefinite lives Depreciated on the estimated useful life of between 9 and 50 years.
Other maritime assets	Current replacement cost	Depreciated over the estimated useful life of between 1 and 49 years.
Service concession assets - roads	Current replacement cost	Depreciated on the estimated useful life of between 5 and 100 years.

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

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

**(v) Revaluation of property, plant and equipment (cont'd)**

Service concession assets - bridges and tunnels	Current replacement cost	Depreciated on the estimated useful life of between 3 and 100 years.
Service concession assets - traffic control	Current replacement cost	Depreciated on the estimated useful life of between 3 and 40 years.
Service concession assets - land under roads	The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land). The urban Average Rateable Value by LGA is derived from data provided by the Valuer-General.	No depreciation applied as land does not have limited useful life.
Service concession assets – rail systems	Current replacement cost	Depreciated over estimated useful life of between 8 and 100 years.

Major roads works-in-progress are valued at construction cost and exclude the cost of land, which is currently disclosed as land under roads.

**Valuation methodologies**

The methods and significant assumptions applied in estimating these asset class fair values include:

**Traffic Signal and Traffic Control Networks**

The approach involved the following steps:

- Obtaining asset inventory data for asset types from various sources of databases.
- Applying unit rates for technical and structural components where possible to determine the estimated replacement cost for each asset type.
- Estimating normal useful lives and remaining useful lives. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

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

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

##### (v) Revaluation of property, plant and equipment (cont'd)

#### Roads

*Primary Approach* – applied to pavements (wearing surface and base/sub-base), culverts, earthworks, safety barriers and fencing, noise walls, medians and rest areas. This approach involved the following steps:

- Obtaining inventory details for components by Road Asset Management System (RAMS) segment/unique ID
- Estimating replacement costs based on quantity/area/length and applying unit rates to the inventory listings
- Estimating normal useful lives and remaining useful lives based on asset condition (base/sub-base only)
- Applying depreciation (straight line) based on age/life and remaining useful life, and asset condition (base/sub-base only) analysis to estimate fair value.

*Secondary Approach* – applied to “other” corridor assets categories. This approach involved the following steps:

- Obtaining percentage breakdown of components from Transport for NSW’s Project Management Office (PMO)
- Converting PMO percentages to “known assets” percentages
- Estimating replacement costs based on replacement cost of “known assets”
- Estimating normal useful lives
- Applying depreciation (straight line) based on age/life analysis to estimate fair value

*Hybrid Approach* – used for longitudinal and subsoil drainage assets, involving a combination of the Primary and Secondary Approaches.

#### *Earthworks assumptions*

- Sub-categories for Earthworks have been identified by ‘Region’, ‘Road rank’, and ‘Terrain’
- Transport for NSW’s PMO unit rates were only available by region and therefore adjusted to include road rank and terrain, using assumed typical earthwork depths, to capture the cost variations for all stereotypes

#### *Pavement assumptions*

- Base/sub-base component ages have been based on the newer of the road construction or rehabilitation dates
- The effective age and remaining useful lives of base/sub-base assets to determine their fair value are estimated based on the asset condition data derived by the Transport for NSW pavement engineers.
- Wearing surface asset ages have been based on the newer of construction, resurfacing or rehabilitation dates
- Remaining life extensions of 2 years have been applied to wearing surface components past their useful lives. These assumptions are based on Transport for NSW’s projected pavement rebuilding/resurfacing estimates.
- Sub-categories for Pavements have been identified by ‘Pavement category’, ‘Region’, and ‘Road rank’

#### *Culvert and Drainage assumptions*

- Ages for Culverts have been calculated using the road construction date
- A remaining life extension of 5 years has been applied to all Culverts and Drainage that were past their useful life
- Stereotypes for Culverts have been identified as ‘Culvert type’, ‘Region’, and ‘Pipe diameter / box width’
- Culverts with high risk rating (ARL 1 and 2) have been depreciated on a straight line basis over an effective remaining useful life of 10 years in accordance with Transport for NSW’s current Corridor Asset Management Plan
- Longitudinal Drainage assumed to be located in urban terrains in Sydney region only (Hunter region captured in Culverts inventory), and applied to 50 percent of segment lengths only
- 375mm pipe culvert unit rate was deemed most appropriate for Longitudinal Drainage
- Subsoil Drainage primary types include edge and trench drains and only concrete pavement types assumed to include edge drains. Unit rates (per m) were based on 100mm perforated plastic piping.
- Major culverts over 6 metres are classified as bridges and included in the Bridge Asset Class.

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

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

#### **(v) Revaluation of property, plant and equipment (cont'd)**

##### *Safety Barrier and Fence assumptions*

- Sub-categories have been identified by 'Barrier type', 'Start and end terminal type' and 'Region'
- Age calculations for depreciation were determined using the barrier construction date, if available, or the road segment construction date as a proxy.
- A remaining life extension of 5 years has been applied to all safety barriers and fences that were past their useful life.

##### *Rest Areas and Medians assumptions*

- The ages of the assets were calculated based on the segment construction date
- A remaining life extension of 5 years has been applied to the assets that were past their useful life.

##### *Noise Walls assumptions*

- Age calculations for depreciation were determined using the noise wall construction date, if available, or the road segment construction date as a proxy
- A remaining life extension of 5 years has been applied to all noise walls that were past their useful life.

### **Bridges and tunnels**

The approach involved the following steps:

- Obtaining bridge asset inventory data from the Bridge Information System (BIS).
- Applying unit rates to the inventory listing based on the modern equivalent capitalisation type.
- Estimating replacement cost based on the bridge deck area.
- Estimating normal useful lives and remaining useful lives based on element condition data.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value. The element condition data collected by Transport for NSW bridge maintenance planners was used to assess the effective age and effective remaining lives of the bridge assets

### **Service concession asset toll roads**

The approach involved the following steps:

- Obtaining asset inventory information from private operators supplemented by as-built drawings to form the basis of valuation analysis for all service concession asset (SCA) toll roads asset classes – roads, bridges, traffic control, and building and equipment.
- Applying unit rates to the inventory listing based on the modern equivalent capitalisation type.
- Optimising the replacement cost for assets to adjust for over-design, overcapacity, redundant components and operating and maintenance costs.
- Estimating normal useful lives and remaining useful lives based on type of asset and construction years.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

Due to the specialised nature of service concession asset toll road arrangements and the fact that toll road assets are not sold, the fair value for these type of arrangements cannot be determined with reference to observable prices in an active market or recent market transactions on arm's length terms. Instead, the fair value has been determined using the valuation techniques outlined above.

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

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

#### **(v) Revaluation of property, plant and equipment (cont'd)**

##### **Maritime infrastructure assets**

A comprehensive revaluation was performed as at 31 March 2020 for wharves and jetties, seawalls, dredging, maritime roads and navigational aids. The revaluation involved the following steps:

- Obtaining asset inventory data for asset types from various sources of databases.
- Applying average unit rates for assets and asset components where possible to determine the estimated replacement cost for each asset type.
- Estimating normal useful lives and remaining useful lives based on condition. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

##### **Rail infrastructure**

Rail systems assets were identified as specialised assets and have therefore been valued using the cost approach.

Due to the specialised nature of transport assets and the lack of credible comparable market evidence, the valuation is predominantly undertaken using the Current Replacement Cost (CRC) method, taking into account relevant indices and high-level costing data at the category level for other light rail where assets are comparable.

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

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and current replacement cost, where current replacement cost is also fair value.

Transport for NSW assesses, during each reporting date, whether there is an indication that an asset may be impaired. Where such an indication exists, an estimate of the recoverable amount is made. An impairment loss is recognised in the Statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount unless the asset has been revalued in which case the impairment loss is treated as a revaluation decrease. When the impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



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

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

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

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

#### **(viii) Restoration costs**

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

#### **(ix) Maintenance**

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

#### **(x) Right of use assets acquired by lessees**

AASB 16 Leases requires a lessee to recognise a right of use asset for most leases. Transport for NSW has elected to present right of use assets separately in the Statement of financial position.

Further information on leases is contained at Note 15.

#### **(xi) Derecognition**

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

#### **(xii) Service concession assets**

Transport for NSW has adopted AASB 1059 from 1 July 2020. However, comparatives for the year ended 30 June 2020 have been adjusted retrospectively to reflect AASB 1059. Note 1(h) details changes in the entity's accounting policies and a summary of impacts on the first time adoption. This note provides disclosures required under the new accounting standard and relates to the entity's service concession arrangements in place during the current year.

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

Based on Transport for NSW's assessment, the following arrangements fall in the scope of AASB 1059:

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

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

<b>Service Concession Arrangement - Sydney Light Rail</b>	
Description	Sydney Light Rail service concession arrangement.
Name & description of the service concession arrangement	Transport for NSW has a contract with ALTRAC Light Rail Partnership relating to the Sydney Light Rail project.
Period of the arrangement	The period of the arrangement is from 17 December 2014 to 31 March 2036.
Terms of the arrangement	The arrangement involves ALTRAC Light Rail Partnership (the operator) being responsible for the design, construction, operations and maintenance of Sydney Light Rail.
Rights and obligations	Transport for NSW regulates the light rail services to be provided to the general public. The arrangement represents a service concession arrangement where upon construction completion and operational commencement, the operator is required to deliver light rail service. In return, Transport for NSW pays consideration for the delivery phase across the project term (i.e. design and construction), and payments for operation and maintenance. The operator is required to hand back the significant residual interest of the assets in the project at the end of the project term.
Changes in arrangements occurred during the 2020 financial year	<p><u>Change in estimated cash flows</u></p> <p>The service concession financial liability recognised on 1 July 2019 takes into account Transport for NSW's estimate of the capital service payment cash flows throughout the concession term. In 2020, there was a change in the estimated cash flows to the operator under the Sydney Light Rail project which does not represent a change in contractual terms.</p> <p>The gross carrying value of the financial liability was recalculated to reflect the present value of the new estimated future contractual cash flows, discounted at the original effective interest rate and a corresponding gain was recorded in the income statement within Note 3 (i) Other Revenue.</p>
Changes in arrangements occurred during the 2021 financial year	<p><u>Change from fixed interest rate to floating interest rate</u></p> <p>In April 2021, the interest rate component within the capital service payment cash flows changed from a fixed interest rate to floating interest rate. The change was agreed under the original contractual terms of the PPP contract with the operator and consequently, it does not represent a debt modification under AASB 9 <i>Financial Instruments</i>. As a result of this change, a new effective interest rate was calculated and applied to the Sydney Light Rail service concession financial liability using the new estimated future contractual cash flows.</p> <p><u>Conditional Debt Pay Down (CDPD) and Refinancing</u></p> <p>On 23 June 2021, Transport for NSW entered into an amended contract with the operator to bring forward the CDPD to 1 July 2021, to align with the operator's first scheduled refinancing due to take place on 2 July 2021. The CDPD relates to a provision in the original PPP contract whereby Transport for NSW repays 50% of the operator outstanding debt upon satisfaction of the various conditions under the contract. The CDPD was initially scheduled to occur in July 2022.</p> <p>The change in CDPD timing and subsequent refinancing do not represent a substantial modification under AASB 9 <i>Financial Instruments</i>. The gross carrying value of the financial liability was recalculated to reflect the present value of the new estimated future contractual cash flows, discounted at the original effective interest rate and a corresponding gain was recorded in the income statement within Note 3 (i) Other Revenue.</p>

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

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

<b>Service Concession Arrangement – Toll Roads</b>	
Description	Toll Road service concession arrangements
Name & description of the service concession arrangements	<p>Transport for NSW have contracts with various private parties relating to the design, construction, operation and maintenance of various motorways. These motorways are as below:</p> <p>Eastern Distributor  Cross City Tunnel  Lane Cove Tunnel  Westlink M7 Motorway  M5 South-West Motorway  M2 Motorway  WestConnex including</p> <ul style="list-style-type: none"> <li>• Stage 1 (M4 Widening and New M4)</li> <li>• Stage 2 (M8 Motorway)</li> <li>• Stage 3A (M4-M5 Link)</li> </ul> <p>NorthConnex  Sydney Harbour Tunnel</p>
Period of the arrangements	<p>The period of the arrangements are as below for each motorway:</p> <p>Eastern Distributor – July 2000 to July 2048  Cross City Tunnel – August 2005 to December 2035  Lane Cove Tunnel – March 2007 to June 2048  Westlink M7 Motorway – December 2005 to June 2048  M5 South-West Motorway – August 1992 to December 2026  M2 Motorway – May 1997 to June 2048  WestConnex including</p> <ul style="list-style-type: none"> <li>• Stage 1 (M4 Widening and New M4) – July 2017 to December 2060</li> <li>• Stage 2 (M8 Motorway) – July 2019 to December 2060</li> <li>• Stage 3A (M4-M5 Link) – expected opening date 2023 to December 2060</li> </ul> <p>NorthConnex – October 2020 to June 2048  Sydney Harbour Tunnel – August 1992 to August 2022</p>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

<b>Service Concession Arrangement – Toll Roads</b>	
Description	Toll Road service concession arrangements
Terms of the arrangements	<p>The terms of the arrangements are as below for each motorway:</p> <p><b>Eastern Distributor</b></p> <p>In consideration of the former RMS granting to the concession holder the right to levy and retain tolls on the Eastern Distributor, the concession holder is required to pay concession fees in accordance with the agreement. From the date of Financial Close, which occurred on 18 August 1997, the concession holder has paid \$360.0 million by way of promissory notes (being \$15.0 million on financial close and \$15.0 million on each anniversary thereon). A further \$2.2 million was received in cash six months after Financial Close and \$8.0 million in cash on the third anniversary of Financial Close.</p> <p>Under the Agreement, the concession holder must not present any of the promissory notes for payment until the earlier of the end of the term of agreement of 24 July 2048 or the achievement of the required rate of return. As at 30 June 2021, the promissory notes have a value of \$27.8 million (2020: \$25.2 million). Upon the end of the Term the operator must surrender to Transport for NSW the Eastern Distributor and the Ancillary Works in a condition which is consistent with the operator's obligation to maintain and repair them in the Project Deed.</p> <p><b>Cross City Tunnel</b></p> <p>Under the terms of the agreement, an external party will operate the motorway until 18 December 2035, after which the motorway will be transferred back to Transport for NSW.</p> <p>Reimbursement of certain development costs was from the operator in the form of an upfront cash payment in August 2005.</p> <p>Reimbursement of certain development costs was from the operator in the form of an upfront cash payment in August 2005. The amount of this payment was \$96.9 million and used in determining the GORTO liability</p> <p><b>Lane Cove Tunnel</b></p> <p>The construction cost was \$1.1 billion, with the cost being met by the private sector. On 31 January 2015, the concession term on the Lane Cove Tunnel was conditionally extended from 9 January 2037 to 30 June 2048. Under the terms of the agreement, the concession holder will operate the Lane Cove Tunnel until 30 June 2048, after which the motorway will be transferred back to Transport for NSW.</p> <p>Reimbursement of certain development costs were received from the operator in the form of an upfront cash payment in April 2007. The amount of this payment was \$79.3 million.</p>

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

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

<b>Service Concession Arrangement – Toll Roads</b>	
Description	Toll Road service concession arrangements
Terms of the arrangements (cont'd)	<p><b>Westlink M7 Motorway</b></p> <p>As a result of the NSW government entering into agreement with the concession holder to build NorthConnex (refer below), the concession period on the Westlink M7 motorway has been extended from 14 February 2037 to 30 June 2048. Under the terms of the agreement, the concession holder will operate Westlink M7 until 30 June 2048, after which the motorway will be transferred back to Transport for NSW.</p> <p>Reimbursement of certain development costs were received from the operator in the form of an upfront cash payment in January 2006. The amount of this payment was \$193.8 million and used in determining the GORTO liability.</p> <p>At the time of the modification to the contract for the NorthConnex, Transport for NSW was expected to receive a further \$358.8 million (nominal value) in concession fees over a period from 30 September 2015 to 31 March 2037. The present value of this concession fee receivable was used in determining the GORTO liability</p> <p>The concession receivable was subsequently monetised in October 2015 in which the former RMS received \$174.2 million proceeds.</p> <p><b>M5 South-West Motorway</b></p> <p>The initial concession period for the M5 Motorway was for the period 14 August 1992 to 14 August 2022. The initial period was subsequently extended to 22 August 2023, in consideration of the concession holder undertaking construction of an additional interchange at Moorebank (M5 Improvements). M5 widening works were completed in December 2014, extending the concession period by a further 3 years and 3 months to December 2026.</p> <p>The M5 South-West Motorway Call Option Deed provides that if, after at least 25 years from the M5 Western Link commencement date of 26 June 1994, Transport for NSW determines that the expected financial return has been achieved, Transport for NSW has the right to purchase either the business from the concession holder or the shares in the concession holder. The exercise price under the M5 Call Option Deed will be based on open market valuation of the business or shares.</p> <p>The project deed was amended in 2018 to include east facing ramps on the M5 motorway intersecting Belmore Road as part of the service concession. These ramps were constructed by Transport for NSW but will be operated and maintained by the concession holder. The ramps were opened to traffic in February 2019.</p> <p>Upon the end of the Term the operator must surrender the Tollroad to Transport for NSW in such condition as is consistent with the Company's obligations to maintain and repair in accordance with the Project Deed and in particular the SWDC and the operation, maintenance and repair manual.</p>

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

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

<b>Service Concession Arrangement – Toll Roads</b>	
Description	Toll Road service concession arrangements
Terms of the arrangements (cont'd)	<p><b>M2 Motorway</b></p> <p>Under terms of the initial Project Deed, ownership of the M2 Motorway will revert to Transport for NSW 45 years from the M2 commencement date of 26 May 1997. The M2 Motorway was upgraded in 2013, at an initial construction cost of \$550.0 million. This further extended the service concession period by a further four years.</p> <p>An agreement was reached on 31 January 2015 for integration works on the M2 Motorway to connect it with the new NorthConnex Motorway. These works were completed in May 2018 and extended the concession term by a further two years to 30 June 2048, resulting in the term of agreement to 51 years. Under the revised concession terms, the agreement now ends on the 51st anniversary of the M2 commencement date or sooner if a certain rate of return is achieved, subject to the provisions of the M2 Motorway Project Deed.</p> <p>Transport for NSW leases land, detailed in the M2 Motorway Project Deed, for the term of the Agreement. Until the project achieves the required rate of return, rent is payable in cash or by promissory note at the lessee's discretion. On achievement of the required rate, the rent is payable in cash. Under the terms of the lease, Transport for NSW must not present any of the promissory notes for payment until the earlier of the end of the term of agreement or the achievement of the required rate of return.</p> <p>No payments have been made for rents on the leases in 2021 (2020: no payments made). Transport for NSW, as at 30 June 2021, has received promissory notes for rent on the above leases totalling \$240.8 million (2020: \$228.5 million). The value of these promissory notes as at 30 June 2021 is \$47.0 million (2020: \$38.3 million).</p> <p><b>WestConnex Stage 1</b></p> <p>The Project Deed stipulates that the concession holder will operate the motorway until 2060, after which the motorway will be transferred back to Transport for NSW at no cost. Up until the end of the concession period, Transport for NSW will grant the concession holder the right to levy and retain tolls on the motorway. Under the Project Deed, Transport for NSW is entitled to a share of tolling revenue above the base revenue threshold.</p> <p><b>WestConnex Stage 2</b></p> <p>As part of the arrangement, Transport for NSW granted Motorway Stratum Land Leases over New M5 Main Works and M5 East Lease when Stage 2 opened to traffic on 5 July 2020, and M5 West Lease from December 2026 to the termination date of 31 December 2060. Under the Stratum Land Lease, Transport for NSW is entitled to a share of tolling revenue above the base revenue threshold.</p>

**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

<b>Service Concession Arrangement – Toll Roads</b>	
Description	Toll Road service concession arrangements
Terms of the arrangements (cont'd)	<p><b>WestConnex Stage 3</b></p> <p>The Project Deed stipulates that the concession holder will operate the M4-M5 Link until 31 December 2060, after which the motorway will be transferred to Transport for NSW at no cost. Up until the end of the concession period, Transport for NSW will grant the concession holder the right to levy and retain tolls on the motorway.</p> <p><b>NorthConnex</b></p> <p>Under the terms of the agreement, Transport for NSW will contribute \$996.7 million in cash towards the construction, construction management and property acquisition costs, and the balance will be financed by the concession holder.</p> <p>NorthConnex was opened to traffic on 31 October 2020. The project deed stipulates that the concession holder will operate the motorway until 30 June 2048, after which the motorway will be transferred back to Transport for NSW. Up until the end of the concession period, Transport for NSW will grant the concession holder the right to levy and retain tolls on the motorway.</p> <p>In consideration for building the NorthConnex motorway, the NorthConnex agreement also provides for enhanced concession terms to the operator in the form of an extension of the concession terms on the Westlink M7 motorway, Lane Cove Tunnel and M2 Motorway to 30 June 2048.</p> <p><b>Sydney Harbour Tunnel</b></p> <p>In 1987, in consideration of Sydney Harbour Tunnel Company (SHTC) agreeing to design, construct and operate the tunnel for 30 years, Transport for NSW agreed to make payments under the Ensured Revenue Stream agreement, on the terms set out in the <i>Sydney Harbour Tunnel (Private Joint Venture) Act 1987</i>, to enable SHTC to meet financial obligations in connection with the operation of the tunnel and the payment of principal and interest upon moneys borrowed by it for the design, construction and operation of the tunnel, and make interest free loans in the total amount of \$222.6 million on the terms set out in the <i>Sydney Harbour Tunnel (Private Joint Venture) Act 1987</i> to enable SHTC to meet its financial obligations in connection with the design and construction of the tunnel.</p> <p>Those loans are repayable following the end of the concession on 31 August 2022 when the tunnel reverts to State ownership.</p>
Rights and obligations	<p>The Operator must keep all traffic lanes of the Motorway open to the public for the safe, efficient and continuous passage of vehicles.</p> <p>The operator must not levy or impose any charge, toll or fee for or in connection with the use of the motorway other than in accordance with the Toll Calculation Schedule specified in the Deed.</p> <p>Upon the end of the Term the operator must yield up to Transport for NSW, where applicable, the tunnels, land, motorways, motorway stratum and/or ancillary works in a fully functional condition which complies with, where applicable, the Scope of Works, Technical Criteria, the O&amp;M Manuals and/or the Project Deeds.</p>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

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

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

<b>Service Concession Arrangement – Toll Roads</b>	
Description	Toll Road service concession arrangements
Changes in arrangements occurred during the 2020 financial year	Nil
Changes in arrangements occurred during the 2021 financial year	M5 East assets owned by Transport for NSW transferred to the M8's operator upon the M8 Motorway being open to traffic in July 2020. These assets now form part of the Service Concession Asset.

<b>Service Concession Arrangement – B-Line car parks</b>	
Description	B-Line car park service concession arrangements
Name & description of the service concession arrangements	<p>Transport for NSW has entered into arrangements with Northern Beaches Council for the use of car spaces for public commuter car parking at B-Line car parks in Dee Why, Mona Vale, Narrabeen and Warriewood.</p> <p>Transport for NSW has entered into arrangements with Health Administration Corporation for the use of car spaces for public commuter car parking at B-Line car park at Brookvale.</p>
Period of the arrangements	30 to 50 years
Terms of the arrangements	The operators are responsible for the provision public commuter car parking, and maintenance of the car parks, while Transport for NSW will bear a pro rata share of the operator's outgoings in connection with ownership, control, operation, management and maintenance of the premises.
Rights and obligations	The operators can terminate the arrangement, but only in the event of a material breach by Transport for NSW or if monies are outstanding. Transport for NSW has the right to give 3 months' notice to terminate the arrangement and thereafter vacate after removing transport-related equipment and signage. At the end of the term, Transport for NSW can continue to occupy the car park, subject to prior written consent. Transport for NSW can transfer or sublet the arrangement, including to another agency.
Changes in arrangements occurred during the 2020 financial year	Nil
Changes in arrangements occurred during the 2021 financial year	Nil



**Transport for NSW**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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

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

The carrying amount of service concession assets included within property, plant and equipment are set out below. The service concession assets are in relation to the arrangements detailed above.

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total property, plant and equipment \$'000
<b>As at 30 June 2021</b>				
Net carrying amount	328,257	672,621	28,440,170	29,441,048
<b>As at 30 June 2020</b>				
Net carrying amount	210,478	685,377	25,141,975	26,037,830

The carrying amount for each class of arrangement as at reporting dates are as below:

Arrangement	30 June 2021 \$'000	30 June 2020 \$'000
Service Concession Arrangement – Toll Roads	26,749,273	23,412,901
Service Concession Arrangement – B-Line Car Parks	39,021	41,790
Service Concession Arrangement – Sydney Light Rail	2,652,754	2,583,139
<b>Total</b>	<b>29,441,048</b>	<b>26,037,830</b>

**Initial recognition**

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

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

**Subsequent to initial recognition**

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

**At the end of the arrangement**

At the end of the service concession arrangement:

- Transport for NSW accounts for the asset in accordance with other accounting standards, with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to any of the appropriate approach under AASB 13; and
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 116.

## **15. Leases**

### **(a) Transport for NSW as a lessee**

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

Transport for NSW leases various properties, land, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 73 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Transport for NSW does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$39.5 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right of use assets of \$41.7 million.

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

**Transport for NSW**  
**Notes to the financial statements**  
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**15. Leases (cont'd)**

**Right of use assets under leases**

The following table presents the movement in right of use assets during the year. No right of use assets meet the definition of investment property.

	Notes	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Restated balance at 1 July 2020		758,923	854,416	1,613,339
Disposals	4	(48)	(1,538)	(1,586)
Additions		49,579	127,099	176,678
Impairment reversals/(losses)	5	(6,319)	-	(6,319)
Re-measurement of leases		(37,700)	786	(36,914)
Depreciation expense	2(d)	(76,447)	(131,026)	(207,473)
<b>Balance at 30 June 2021</b>		<b>687,988</b>	<b>849,737</b>	<b>1,537,725</b>

	Notes	Land and buildings \$'000	Plant and equipment \$'000	Restated Total \$'000
<b>Restated balance at 1 July 2019</b>		-	-	-
Reclassification from formerly finance leased buses	14	-	700,845	700,845
Recognition of right of use asset on initial application of AASB16		124,685	92,410	217,095
<b>Adjusted net carrying amount at beginning of year</b>		<b>124,685</b>	<b>793,255</b>	<b>917,940</b>
Net increase in assets from administrative restructure	24	129,310	64,872	194,182
Disposals	4	(6)	(7,940)	(7,946)
Additions		641,468	129,989	771,457
Impairment reversals/(losses)	5	(71,557)	-	(71,557)
Transfer (to)/ from other assets		(18,870)	(276)	(19,146)
Re-measurement of leases		9,290	(8,689)	601
Depreciation expense	2(d)	(55,397)	(116,795)	(172,192)
<b>Restated balance at 30 June 2020</b>		<b>758,923</b>	<b>854,416</b>	<b>1,613,339</b>

Note the above balance does not include the Sydney Harbour Tunnel finance lease. This is due to AASB 16 paragraph Aus3.1, which excludes the application of AASB 16 *Leases* on service concession assets that is recognised under AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 14.

**Transport for NSW**  
**Notes to the financial statements**  
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**15. Leases (cont'd)**

**(a) Transport for NSW as a lessee (cont'd)**

**Lease liabilities**

The following table presents liabilities under leases, including leases in respect of investment properties.

	Notes	2021 \$'000	2020 \$'000
<b>Balance at 1 July</b>		1,864,201	-
Reclassification from finance leased buses	14	-	870,739
Recognition of right of use asset on initial application of AASB16		-	217,095
<b>Adjusted net carrying amount at beginning of year</b>		<b>1,864,201</b>	<b>1,087,834</b>
Additions		171,693	765,950
Payments		(345,863)	(245,488)
Net increase in assets from administrative restructure		-	193,684
Interest expenses		67,100	61,063
Re-measurement of leases		(41,725)	1,159
<b>Balance at 30 June</b>		<b>1,715,406</b>	<b>1,864,202</b>

The following amounts were recognised in the Statement of comprehensive income in respect to leases where Transport for NSW is the lessee:

	2021 \$'000	2020 \$'000
Depreciation expense of right of use assets	207,474	172,529
Interest expense on lease liabilities	67,100	61,063
Expense relating to short-term leases	1,851	19,988
Expense relating to leases of low-value assets	2,818	5,257
<b>Total amount recognised in the Statement of comprehensive income</b>	<b>279,243</b>	<b>258,837</b>

Transport for NSW had total cash outflows for leases of \$351.0 million (2020: \$269.9 million).

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

### **(a) Transport for NSW as a lessee (cont'd)**

#### **Leases at significantly below-market terms and conditions principally to enable Transport for NSW to further its objectives**

Transport for NSW entered into a 98-year lease with Infrastructure NSW to accommodate amenities and infrastructure required to operate the Barangaroo Ferry Hub. The leased premises must only be used for this purpose. The lease contract specifies a lease payment of \$1. This lease accounts for a small portion of assets owned by Transport for NSW for similar purposes. Therefore, it does not have a significant impact on the Transport for NSW's operations.

The initial and subsequent measurement of right of use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the entity to further its objectives is same as normal right of use assets. They are measured at cost, subject to impairment.

#### **Recognition and measurement**

Transport for NSW assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Transport for NSW recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

#### **Right of use assets**

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

Right of use assets are depreciated on a straight-line basis, apart from buses which are depreciated on a diminishing value method. Leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 1 to 73 years
- Plant and equipment 1 to 10 years

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

## 15. Leases (cont'd)

### (a) Transport for NSW as a lessee (cont'd)

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

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

#### Impairment losses for right of use assets

The COVID-19 outbreak continuing throughout the 2021 financial year had an unprecedented effect on the NSW and global economies. COVID-19 has significantly impacted the market rent for office accommodation, and therefore the value of some right of use assets in the Statement of financial position.

Transport for NSW has therefore undertaken an impairment assessment for the above right of use assets, to determine whether the carrying amount exceeded their recoverable amount. Impacted right of use assets were written down to their recoverable amounts by reference to the right of use asset's fair value less costs of disposal and an impairment loss is recognised.

Transport for NSW recognised impairment losses for right of use assets during the 2021 financial year of \$6.3 million (2020: \$71.6 million), which is determined to its fair value less costs of disposal. Impairment losses for right of use assets are included in note 5 Other gains/(losses) within the Statement of comprehensive income. The valuation technique used in the fair value measurement is classified as level 3 according to the fair value hierarchy within AASB 13 *Fair Value Measurement*.

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

Asset Description	Valuation technique	Key assumptions	Fair Value Hierarchy of fair value less cost of disposal assessment
Right of use asset – land and buildings	Current replacement cost (CRC) approach – assets are valued based on the net replacement cost of a new equivalent asset with the same geographical market and remaining lease term. The net replacement costs were calculated based on the market rent forecasts from JLL Real Estate Intelligence Services (REIS), or Property NSW's historical rent data for regional markets at the valuation date, where the market rent forecast as at 30 June 2019 was the base year.	<ul style="list-style-type: none"> <li>- Right of use assets are stated at fair value at the time of initial recognition or lease commencement date.</li> <li>- Cost of disposals is immaterial.</li> <li>- The rent profile (fixed percentage, market rent review, consumer price index (CPI) or combination) at the lease commencement date represents future market rent forecasts.</li> <li>- Regional market rents are linked with CPI.</li> </ul>	Level 3

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

**(a) Transport for NSW as a lessee (cont'd)**

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

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

Recoverable amount	Land and buildings 2021	Total 2021	Land and buildings 2020	Total 2020
	\$'000	\$'000	\$'000	\$'000
<b>Fair value less costs of disposal</b>				
Level 1	-	-	-	-
Level 2	-	-	-	-
Level 3	687,987	687,987	758,923	758,923
<b>Total fair value</b>	<b>687,987</b>	<b>687,987</b>	<b>758,923</b>	<b>758,923</b>

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

Recoverable amount	Current measurement discount rates	Previous measurement discount rates
Fair value less cost of disposal – discounted cash flow technique	Internal borrowing rates at the valuation date.	Internal borrowing rates as at 1 July 2019 for any leases recognised upon transition to AASB 16 Leases, or at the lease commencement date if the lease commenced after 1 July 2019.

**Lease liabilities**

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

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

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

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

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

### **(a) Transport for NSW as a lessee (cont'd)**

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

Transport for NSW's lease liabilities are included in borrowings.

#### **Short-term leases and leases of low-value assets**

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



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

**(b) Entity as a lessor**

Transport for NSW holds properties that are leased to tenants under operating leases with rental payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

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

**Lessor for finance leases**

Future minimum rental receivable (undiscounted) under non-cancellable operating leases are as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Within one year	59,083	58,077
One to two years	52,466	52,900
Two to three years	47,535	51,687
Three to four years	40,465	47,686
Four to five years	32,024	41,182
Later than five years	432,478	490,615
<b>Total (including GST)</b>	<b>664,051</b>	<b>742,147</b>

The total commitments detailed above include GST amount of \$54.6 million (2020: \$57.1 million) that are expected to be payable to the Australian Taxation Office (ATO).

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

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of comprehensive income due to its operating nature

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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**16. Intangible assets**

	Computer systems \$'000	Computer systems work in progress \$'000	Biodiversity credits \$'000	Easements and other access rights \$'000	Total Intangibles \$'000
Cost (gross carrying amount)	1,146,557	422,806	67,043	58,816	1,695,222
Accumulated amortisation and impairment	(733,591)	-	-	(13,837)	(747,428)
<b>Net carrying amount at 30 June 2021</b>	<b>412,966</b>	<b>422,806</b>	<b>67,043</b>	<b>44,979</b>	<b>947,794</b>

	Computer systems \$'000	Computer systems work in progress \$'000	Biodiversity credits \$'000	Easements and other access rights \$'000	Total Intangibles \$'000
Cost (gross carrying amount)	1,027,836	438,873	68,648	58,817	1,594,174
Accumulated amortisation and impairment	(572,642)	-	-	(10,678)	(583,320)
<b>Net carrying amount at 30 June 2020</b>	<b>455,194</b>	<b>438,873</b>	<b>68,648</b>	<b>48,139</b>	<b>1,010,854</b>

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

<b>Year ended 30 June 2021</b>	<b>Notes</b>	<b>Computer systems \$'000</b>	<b>Computer systems work in progress \$'000</b>	<b>Biodiversity credits \$'000</b>	<b>Easements and other access rights \$'000</b>	<b>Total Intangibles \$'000</b>
Net carrying amount at start of year		455,194	438,873	68,648	48,139	1,010,854
Additions		1,772	208,743	2,952	-	213,467
Disposals	4	(573)	-	-	-	(573)
Reclassifications (to)/from property, plant and equipment	14	29,521	(128,456)	-	-	(98,935)
Amortisation expense	2(d)	(169,302)	-	-	(3,160)	(172,462)
Retirements		-	-	(4,557)	-	(4,557)
Reclassification between intangible classes		96,354	(96,354)	-	-	-
<b>Net carrying amount at 30 June 2021</b>		<b>412,966</b>	<b>422,806</b>	<b>67,043</b>	<b>44,979</b>	<b>947,794</b>

<b>Year ended 30 June 2020</b>	<b>Notes</b>	<b>Computer systems \$'000</b>	<b>Computer systems work in progress \$'000</b>	<b>Biodiversity credits \$'000</b>	<b>Easements and other access rights \$'000</b>	<b>Total Intangibles \$'000</b>
Net carrying amount at start of year		368,076	307,569	-	41,150	716,795
Additions		6,075	179,474	2,106	-	187,655
Disposals	4	(100)	-	-	-	(100)
Reclassification between intangible classes		63,965	(74,127)	-	10,162	-
Asset transfer to/from equity		26,139	-	-	-	26,139
Reclassifications (to)/from property, plant and equipment	14	45,750	(27,759)	-	-	17,991
Amortisation expense	2(d)	(158,931)	-	-	(3,173)	(162,104)
Retirements		-	-	(12,552)	-	(12,552)
Increase/(decrease) in net assets from administrative restructure	23(e)	104,220	53,716	79,094	-	237,030
<b>Net carrying amount at 30 June 2020</b>		<b>455,194</b>	<b>438,873</b>	<b>68,648</b>	<b>48,139</b>	<b>1,010,854</b>

The net carrying amount of service concession assets included in intangible assets is \$45.0 million (2020: \$48.1 million). This balance all relates to the Sydney Light Rail Service Concession Arrangement

## 16. Intangible assets (cont'd)

### Recognition and measurement

#### Non-service concession arrangements

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

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met in accordance with AASB 138 *Intangible Assets*.

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

<b>Asset</b>	<b>Valuation policy</b>	<b>Amortisation policy</b>
Information technology system	Depreciated historical cost	Amortised using the straight-line method over the estimated useful life of between 2 and 18 years.
Biodiversity credits	Cost less accumulated impairment losses where it is applicable.	Indefinite useful life and not amortised. Carrying amount is tested yearly for impairment.

### Service Concession Assets

#### Initial recognition

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

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

#### Subsequent to initial recognition

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

## 16. Intangible assets (cont'd)

### Service Concession Assets (cont'd)

#### At the end of the arrangement

At the end of the service concession arrangement:

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

<b>Asset</b>	<b>Valuation policy</b>	<b>Amortisation policy</b>
Service concession assets - Easements and other access rights (including right of use of land and airspace acquired from third party land owners in relation to CBD and South East Sydney Light Rail)	Current replacement cost	Amortised using the straight-line method over the remaining period of the construction and operation phases of the project between 16 and 19 years.

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

### Fair value measurement and hierarchy

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, Transport for NSW categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

Transport for NSW recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**Transport for NSW**  
**Notes to the financial statements**  
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**17. Fair value measurement of non-financial assets (cont'd)**

**(a) Fair value hierarchy**

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Land and buildings	-	4,323,157	636,300	4,959,457
<b>Land and buildings</b>	<b>-</b>	<b>4,323,157</b>	<b>636,300</b>	<b>4,959,457</b>
Rolling stock	-	-	692,278	692,278
Buses	-	-	330,649	330,649
Ferries	-	-	1,385	1,385
<b>Plant and equipment</b>	<b>-</b>	<b>-</b>	<b>1,024,312</b>	<b>1,024,312</b>
Road systems	-	-	113,362,666	113,362,666
Rail systems	-	-	1,927,513	1,927,513
Maritime assets	-	-	2,088,233	2,088,233
<b>Infrastructure systems</b>	<b>-</b>	<b>-</b>	<b>117,378,412</b>	<b>117,378,412</b>
<b>Non-current assets held for sale</b>	<b>-</b>	<b>22,507</b>	<b>-</b>	<b>22,507</b>
<b>Total</b>	<b>-</b>	<b>4,345,664</b>	<b>119,039,024</b>	<b>123,384,688</b>

The above property, plant and equipment exclude work in progress assets measured at cost as a surrogate for fair value.

Fair value measurements recognised in the balance sheet were categorised into the following levels at 30 June 2020.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>Property, plant and equipment</b>				
Land and buildings	-	3,581,674	463,306	4,080,401
<b>Land and buildings</b>	<b>-</b>	<b>3,581,674</b>	<b>463,306</b>	<b>4,080,401</b>
Rolling stock	-	-	704,737	704,737
Buses	-	-	347,740	347,740
Ferries	-	-	1,521	1,521
<b>Plant and equipment</b>	<b>-</b>	<b>-</b>	<b>1,053,998</b>	<b>1,053,998</b>
Road systems	-	-	99,681,883	99,681,883
Rail systems	-	-	2,021,678	2,021,678
Maritime assets	-	-	1,234,491	1,234,491
<b>Infrastructure systems</b>	<b>-</b>	<b>-</b>	<b>102,938,052</b>	<b>102,938,052</b>
<b>Non-current assets held for sale</b>	<b>-</b>	<b>39,739</b>	<b>-</b>	<b>39,739</b>
<b>Total</b>	<b>-</b>	<b>3,621,413</b>	<b>104,455,356</b>	<b>108,112,190</b>

The above property, plant and equipment exclude work in progress assets measured at cost as a surrogate for fair value.

**Transport for NSW**  
**Notes to the financial statements**  
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**17. Fair value measurement of non-financial assets (cont'd)**

**(b) Valuation techniques, inputs and process**

Valuation technique	Valuation input
<b>Land and buildings</b>	
<p>Land and buildings measured at level 3 includes service concession buildings for toll roads.</p> <p>Assets are depreciated over estimated useful life.</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations.</p> <p>The determination of unit replacement rates for valuations is carried out at least every 3 years by externally engaged qualified valuers.</p>	<p>Inputs include current replacement costs, useful lives and asset age.</p>
<b>Roads</b>	
<p>Current replacement cost of significant road asset components:</p> <ul style="list-style-type: none"> <li>Pavements <ul style="list-style-type: none"> <li>Asphalt</li> <li>Concrete</li> <li>Spray</li> </ul> </li> <li>Culverts</li> <li>Drainage <ul style="list-style-type: none"> <li>Longitudinal</li> <li>Subsoil</li> </ul> </li> <li>Safety Barriers</li> <li>Fences</li> <li>Retaining walls</li> <li>Medians</li> <li>Rest areas</li> <li>Noise walls</li> <li>Other</li> </ul> <p>Assets are depreciated over estimated useful life depending on road component type (Note 14).</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations by movements in the Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI).</p> <p>The determination of unit replacement rates for road valuations is carried out at least every 5 years by independent externally engaged qualified valuers.</p>	<p>Replacement cost per unit of road asset component.</p> <p>Cost per unit has been determined by reference to unit prices quoted in the most recent road construction tender documents. The price range is adjusted to eliminate outlier amounts.</p> <p>Components are depreciated over their estimated useful life depending on road component type or remaining useful life depending on road assets' condition as depicted by the pavement health index (PHI) or culvert risk ratings</p>

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

**(b) Valuation techniques, inputs and process (cont'd)**

<b>Valuation technique</b>	<b>Valuation input</b>
<b>Land under roads and tracks</b>	
<p>The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an “open spaces ratio” to approximate fair value (unimproved and pre-subdivision land).</p> <p>The valuations are based on certain assumptions including property being vacant and therefore do not take into account costs that may be incurred in removing roads or tracks and other improvements. The Valuer-General’s urban average rateable values by LGA are calculated by reference to land values only and do not include the value of any improvements.</p>	<p>Local Government Area rateable land values provided by the NSW Valuer-General.</p> <p>Measurements of land area in situ under roads.</p>
<b>Bridges and tunnels</b>	
<p>Current replacement cost for the following bridge and tunnel types:</p> <ul style="list-style-type: none"> <li>Timber structures</li> <li>Concrete structures</li> <li>Steel structures</li> <li>Bridge trusses (timber and steel)</li> <li>Heritage bridges</li> <li>Bridge size culverts/tunnels</li> </ul> <p>Bridge and tunnel assets are depreciated over estimated useful depending on bridge and tunnel type (Note 14).</p> <p>Cost/m<sup>2</sup> rates per bridge and tunnel type are derived from current estimated bridge construction costs. Bridge and tunnel assets fair value is determined by applying the replacement rate by type to bridge and tunnel area.</p> <p>Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI.</p> <p>The determination of replacement rates for bridge and tunnel valuations is carried out at least every 5 years by independent externally engaged qualified valuers.</p>	<p>Replacement cost per unit of bridge and tunnel assets.</p> <p>Cost per unit has been determined by reference to unit prices quoted in the most recent bridge construction tender documents. The price range is adjusted to eliminate outlier amounts.</p> <p>Assets are depreciated over their remaining useful life depending on bridges and tunnels’ condition as depicted by the element condition data or estimated useful life depending on the bridge and tunnel’s capitalisation type.</p>



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

**(b) Valuation techniques, inputs and process (cont'd)**

Valuation technique	Valuation input
<b><i>Traffic Signals Network</i></b>	
<p>Current replacement cost major asset components:</p> <ul style="list-style-type: none"> <li>Lanterns</li> <li>Posts</li> <li>Loops</li> <li>Controller</li> <li>Civils</li> </ul> <p>Assets are depreciated over estimated useful life (Note 14).</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by obtaining letter of assurances from the external valuers.</p> <p>The determination of traffic signal unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified valuers.</p>	<p>Current unit replacement costs.</p>
<b><i>Traffic Control Network</i></b>	
<p>Depreciated replacement cost of major asset components:</p> <ul style="list-style-type: none"> <li>Enforcement systems</li> <li>Traffic monitoring units</li> <li>Weather stations</li> <li>Variable speed signs</li> <li>Variable message signs</li> <li>Tidal flow systems</li> <li>Over-speed detection systems</li> <li>Over-height detection systems</li> <li>Vehicle detection classification systems</li> <li>Emergency warning systems</li> <li>Advanced warning systems</li> <li>Changeable message signs</li> <li>Weigh-in-motion systems</li> <li>Street lights</li> <li>Emergency phones</li> <li>School zone warning system</li> <li>Traffic Management Centre</li> </ul> <p>Assets are depreciated over estimated useful life depending on component type (Note 14).</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by obtaining letter of assurances from the external valuers.</p> <p>The determination of traffic control system unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified valuers.</p>	<p>Current unit replacement costs.</p>

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

**(b) Valuation techniques, inputs and process (cont'd)**

Valuation technique	Valuation input
<b>Maritime assets</b>	
<p>Current replacement cost for:</p> <ul style="list-style-type: none"> <li>Wharves and jetties <ul style="list-style-type: none"> <li>Pontoon</li> <li>Gangway</li> <li>Jetty</li> <li>Other</li> </ul> </li> <li>Dredging</li> <li>Seawalls, training walls and revetments</li> <li>Maritime roads, accessways and slipways</li> <li>Aids to navigation <ul style="list-style-type: none"> <li>Light</li> <li>Buoy</li> <li>Pylon</li> </ul> </li> </ul> <p>Assets are depreciated over estimated useful life depending on asset type (Note 14).</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by obtaining letter of assurances from the external valuers.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p> <p>Income Approach for:</p> <ul style="list-style-type: none"> <li>Moorings and wetlands</li> </ul> <p>Estimates of total revenue earned on long term mooring and wetland leases are capitalised at net present value.</p>	<p>Replacement cost per unit or asset component as specified.</p> <p>Cost per unit/component has been determined by reference to recent construction projects of similar assets.</p> <p>Estimated total lease revenue.</p>
<b>Rail infrastructure</b>	
<p>Current replacement costs for the Pymont Light Rail network assets and the Inner West Light Rail extension network assets.</p> <p>Residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.</p> <p>Construction costs (excluding third party relocation costs) have been used for Newcastle Light Rail and CBD and South East Light Rail assets as they have been recently constructed.</p>	<p>Inputs include:</p> <ul style="list-style-type: none"> <li>• length of the tracks</li> <li>• overhead power and stabling yards</li> <li>• number of stops/stations</li> <li>• economic working lives of the assets</li> <li>• expired and remaining economic life,</li> <li>• depreciation methods</li> <li>• functional obsolescence</li> <li>• economic obsolescence</li> <li>• historic cost information</li> <li>• foreign exchange rates</li> </ul>

## Transport for NSW Notes to the financial statements

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

#### (b) Valuation techniques, inputs and process (cont'd)

Valuation technique	Valuation input
<b>Plant and equipment</b>	
<p>Plant and equipment at level 3 includes rolling stock related to rail infrastructure.</p> <p>Current replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.</p>	<p>Inputs include:</p> <ul style="list-style-type: none"> <li>• replacement cost for modern equivalent assets,</li> <li>• expected useful life and remaining life</li> <li>• inputs principally obtained from the manufacturer of the assets.</li> </ul>
<b>Buses</b>	
<p>Optimised Replacement Cost (ORC) is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of input and in operating costs.</p>	<p>Inputs include:</p> <ul style="list-style-type: none"> <li>• cost prices for buses</li> <li>• inflation</li> <li>• foreign exchange rates</li> <li>• panel pricing</li> <li>• ABS published Producer Price Indexes</li> <li>• transport equipment and sheet-metal product manufacturing indexes</li> <li>• the number of buses being replaced at the one time</li> <li>• any inhibiting contractual obligations and/or penalty clauses contained in the contract to supply</li> <li>• the exact specification of the bus</li> <li>• the international price of steel and/or aluminium at the time of construction</li> <li>• the value of the Australian dollar at the time of construction in respect to the purchase of (predominantly) European chassis</li> <li>• the willingness of a supplier to 'buy' the contract</li> </ul>
<b>Ferries</b>	
<p>Discounted replacement cost was estimated based on pricing provided by a leading Australian boat builder, and assuming a steel hull, aluminium superstructure.</p>	<p>Inputs include</p> <ul style="list-style-type: none"> <li>• pricing provided by a leading Australian boat builder, and assuming a steel hull, aluminium superstructure</li> <li>• Sensibility check</li> <li>• Best measure remaining economic benefit</li> <li>• Expired and remaining economic life</li> </ul>
<b>Service Concession Assets - Roads</b>	
<p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by adjusting for RBCI.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p>	<p>Inputs include replacement cost, construction year and useful life.</p>

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2021

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

**(b) Valuation techniques, inputs and process (cont'd)**

<p><b><i>Service Concession Assets - Bridges</i></b></p> <p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by adjusting for RBCI.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p>	<p>Inputs include replacement cost, construction year and useful life.</p>
<p><b><i>Service Concession Assets – Traffic Control</i></b></p> <p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by adjusting for RBCI.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p>	<p>Inputs include replacement cost, construction year and useful life.</p>
<p><b><i>Service Concession Assets – Building</i></b></p> <p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by adjusting for RBCI.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p>	<p>Inputs include replacement cost, construction year and useful life.</p>
<p><b><i>Service Concession Assets – Equipment</i></b></p> <p>Current optimised replacement cost for all assets.</p> <p>Assets are depreciated over estimated useful life depending on asset type.</p> <p>Fair value is reassessed in interim periods between comprehensive revaluations by adjusting for RBCI.</p> <p>The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.</p>	<p>Inputs include replacement cost, construction year and useful life.</p>

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

**(c) Reconciliation of level 3 fair value measurement**

	<b>Buildings</b>	<b>Buses</b>	<b>Rolling stock</b>	<b>Ferries</b>	<b>Infrastructure systems</b>	<b>Total level 3 fair value</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Restated fair value as at 1 July	463,306	347,740	704,737	1,521	102,938,052	104,455,356
Additions	-	30,079	-	-	1,904,722	1,934,800
Net revaluation increments less revaluation decrements recognised in equity	(17,820)	-	12,095	-	506,695	500,970
Net revaluation increment/(decrement) recognised in net result	(31,773)	-	-	-	(273,167)	(304,940)
Transfer (to)/from assets under construction	(7,892)	-	-	-	14,191,045	14,183,153
Disposals	(655)	(2,068)	-	-	-	(2,723)
Depreciation expense	(27,380)	(45,103)	(24,554)	(136)	(2,256,037)	(2,353,210)
Asset transfer (to)/from equity	713	-	-	-	-	713
Transfer (to)/from other classes of property, plant and equipment	-	1	-	-	(26,801)	(26,800)
Net increase in assets from administrative restructure	1,196	-	-	-	868,416	869,612
Asset write-off	(4,104)	-	-	-	(354,259)	(358,363)
Transfer (to)/from level 2	287,482	-	-	-	(199,573)	87,910
Transfer to councils, NSW government agencies & other parties	(29,245)	-	-	-	(40,034)	(69,279)
Assets recognised for the first time	2,472	-	-	-	493	2,965
Impairment losses	-	-	-	-	118,560	118,560
Transfer from councils	-	-	-	-	300	300
<b>Fair value as at 30 June</b>	<b>636,300</b>	<b>330,649</b>	<b>692,278</b>	<b>1,385</b>	<b>117,378,412</b>	<b>119,039,024</b>

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

**(c) Reconciliation of level 3 fair value measurement (cont'd)**

	<b>Buildings</b>	<b>Finance leased buses</b>	<b>Buses</b>	<b>Rolling stock</b>	<b>Ferries</b>	<b>Infrastructure systems</b>	<b>Total level 3 fair value</b>
	<b>\$ '000</b>	<b>\$'000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Fair value as at 1 July	130,176	700,845	328,904	70,784	844	4,682,251	5,913,804
Net adjustment on initial application of AASB 1059	42,428	-	-	-	-	-	42,428
Change in accounting policies	-	(700,845)	-	-	-	-	(700,845)
<b>Restated net carrying amount at beginning of year</b>	<b>172,604</b>	<b>-</b>	<b>328,904</b>	<b>70,784</b>	<b>844</b>	<b>4,682,251</b>	<b>5,255,387</b>
Additions	20,099	-	66,923	375	-	124,897	212,294
Net revaluation increments less revaluation decrements recognised in equity	23,314	-	-	3,516	917	615,880	643,627
Net revaluation increment/(decrement) recognised in net result	-	-	-	-	-	(4,117)	(4,117)
Transfer (to)/from assets under construction	(7,112)	-	-	-	-	1,466,872	1,459,760
Transfer (to)/from other assets and liabilities	(7)	-	-	-	-	(22,161)	(22,168)
Disposals	(2,810)	-	(2,190)	-	-	-	(5,000)
Depreciation expense	(15,255)	-	(43,235)	(14,239)	(240)	(1,145,105)	(1,218,074)
Asset transfer (to)/from equity	(94,834)	-	-	-	-	(4,402,381)	(4,497,215)
Transfer (to)/from other classes of property, plant and equipment	132,512	-	(2,662)	644,301	-	2,092,156	2,866,307
Net increase in assets from administrative restructure	250,110	-	-	-	-	100,166,401	100,416,511
Transfer (to)/from other Transport agencies	(15,221)	-	-	-	-	17,556	2,335
Asset write-off	-	-	-	-	-	(28,847)	(28,847)
Transfer (to)/from level 2	(94)	-	-	-	-	(1,744)	(1,838)
Transfer to councils, NSW government agencies & other parties	-	-	-	-	-	(354,949)	(354,949)
Assets recognised for the first time	-	-	-	-	-	83,235	83,235
Impairment losses	-	-	-	-	-	(352,212)	(352,212)
Transfer from councils	-	-	-	-	-	320	320
<b>Restated fair value as at 30 June</b>	<b>463,306</b>	<b>-</b>	<b>347,740</b>	<b>704,737</b>	<b>1,521</b>	<b>102,938,052</b>	<b>104,455,356</b>

**Transport for NSW**  
**Notes to the financial statements**  
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**18. Restricted assets**

	Notes	2021 \$'000	2020 \$'000
Cash and cash equivalents		497,699	590,803
Financial assets at fair value through profit or loss	11	133,993	119,964
<b>Restricted assets</b>		<b>631,692</b>	<b>710,767</b>

**Cash and cash equivalents**

Cash and cash equivalent assets include restricted cash of \$497.7 million (2020: \$590.8 million). This is made up of:

- \$338.0 million (2020: \$358.0 million) held within Westpac Bank Accounts that are included in the Treasury Banking System in relation to funds administered on behalf of the Maritime Waterways fund. These funds are restricted to activity relating to maritime transactions and are covered by Section 42 of the *Ports and Maritime Administration Act 1995*.
- \$45.1 million (2020: \$118.0 million) has been quarantined specifically in relation to the Parking Space Levy (PSL). PSL funds can only be used for the purposes outlined in Section 11(3) of the Parking Space Levy Act 2009 and therefore are not available to fund the ongoing operations of Transport for NSW.
- \$64.4 million (2020: \$66.0 million) are held within the Treasury Banking System relating to E-tag security deposits. Holders of E-tags provide an initial amount as a security deposit for the use of the actual E-tag. The deposit is refundable upon closure of the associated E-tag account. Transactions on this account are restricted to activity relating to E-tag deposits.
- \$34.6 million (2020: \$35.9 million) are held within the Treasury Banking System and relate to land acquisitions by the State. Transport for NSW is required to keep the money in a fund for the person entitled to compensation. Transactions on this account are restricted to activities relating to land acquisitions.
- \$15.6 million (2020: \$12.9 million) for community transport groups. The Transport component of the Home and Community Care program is jointly funded by the NSW and Commonwealth governments. The program provides funding for the delivery of services to assist frail aged and younger people with disabilities, and their carers. These funds are required to be quarantined for specific use as defined by the terms and conditions for Home and Community Care Funding, including for the provisions of transport services by community transport groups.

**Financial assets at fair value**

Financial assets at fair value consist of \$134.0 million (2020: \$120.0 million) held within TCorpIM Funds in NSW TCorp. These funds are administered on behalf of the Maritime Waterways fund and are restricted to activities relating to maritime transactions. The investments are controlled by Transport for NSW and are covered by Section 42 of the *Ports and Maritime Administration Act 1995*.

**Transport for NSW**  
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**19. Payables**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Trade creditors	94,360	96,014
Accrued expenses	2,076,449	1,573,105
Other creditors	66,081	33,053
Creditors arising from compulsory acquisitions	458,677	38,014
Personnel service	269,618	204,651
<b>Current payables</b>	<b>2,965,185</b>	<b>1,944,837</b>

	<b>2021</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2020</b>
		<b>\$'000</b>
<b>Non-current</b>		
Accruals	354,684	181,311
<b>Non-current payables</b>	<b>354,684</b>	<b>181,311</b>

The average credit period on purchases of goods is 30 days. Transport for NSW has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

**Recognition and measurement**

Payables represent liabilities for goods and services provided to Transport for NSW and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, recognised initially at fair value, net of directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

Subsequent to the commencement of the *Government Sector Employment Act 2013*, the Transport for NSW employees were transferred to Transport Service on 1 July 2015. Accordingly, employee related provisions are no longer recognised and instead disclosure reflects the personnel service payable to Transport Service.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 30.



**Transport for NSW**  
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**20. Borrowings**

	<b>2021</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2020</b>
		<b>\$'000</b>
<b>Current</b>		
Lease liabilities	222,811	220,126
Financial liabilities at fair value	119	57
Service concession financial liabilities <sup>1</sup>	1,119,513	677,395
<b>Current borrowings</b>	<b>1,342,443</b>	<b>897,578</b>
<b>Non-current</b>		
Lease liabilities	1,492,595	1,644,075
Service concession financial liabilities	1,909,054	3,024,032
<b>Non-current borrowings</b>	<b>3,401,649</b>	<b>4,668,107</b>

<sup>1</sup> This relates to contractual payments to be made to the operator, refer to Note 14 for further details on the entity's service concession arrangements.

**Repayment of borrowings**

	<b>2021</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2020</b>
		<b>\$'000</b>
Not later than one year	1,342,443	897,578
Later than one year and not later than five years	1,117,340	2,068,662
Later than five years	2,284,309	2,599,445
<b>Total Repayment of Borrowings</b>	<b>4,744,092</b>	<b>5,565,685</b>

**Recognition and measurement**

Borrowing represents interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities and other interest bearing liabilities.

Borrowings classified as financial liabilities at amortised cost, including service concession financial liabilities, are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

The carrying amount of the service concession financial liabilities have been calculated based on the present value of future payments using discount rates provided by NSW Treasury as at transition date.

**Transport for NSW**  
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**20. Borrowings (cont'd)**

**Financial guarantees**

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

Financial guarantees contracts are recognised as a financial liability at the time the guarantees are issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, Transport for NSW's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

Transport for NSW carries out minor works contracts for entities outside of the NSW public sector. In order to tender for the contracts and remain on an equal footing, Transport for NSW is required to lodge a security deposit in the form of bank guarantee. Under the *Government Sector Finance Act 2018*, Transport for NSW has an approved limit from TCorp of \$6.0 million to 30 June 2021.

Transport for NSW has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2021 and as at 30 June 2020. However, refer to Note 25 regarding disclosures on contingent liabilities.

**Changes in liabilities arising from financing activities**

	Leases \$'000	Service concession arrangements \$'000	Other \$'000	Total liabilities from financing activities \$'000
<b>Balance at 1 July 2020</b>	1,864,201	3,701,427	57	5,565,685
Cash flows	(345,863)	(202,943)	-	(548,806)
Additions during the year	171,692	-	-	171,692
Re-measurement of leases	(41,725)	-	-	(41,725)
Transfer (to)/from GORTO liability	-	(453,514)	-	(453,514)
Other	67,100	(16,402)	62	50,760
<b>Balance at 30 June 2021</b>	<b>1,715,405</b>	<b>3,028,568</b>	<b>119</b>	<b>4,744,092</b>

	Leases \$'000	Service concession arrangements \$'000	Other \$'000	Total liabilities from financing activities \$'000
<b>Balance at 1 July 2019</b>	870,739	-	-	870,739
Recognition on adoption of AASB 16	217,095	-	-	217,095
Recognised on adoption of AASB 1059	-	2,709,201	-	2,709,201
<b>Restated balance at 1 July 2019</b>	<b>1,087,834</b>	<b>2,709,201</b>	<b>-</b>	<b>3,797,035</b>
Cash flows	(184,425)	(62,806)	-	(247,231)
Additions during the year	765,949	241,914	-	1,007,863
Net increase in liabilities from administrative restructure	193,684	952,039	-	1,145,723
Re-measurement of leases	1,159	-	-	1,159
Transfer (to)/from GORTO liability	-	(124,718)	-	(124,718)
Other	-	(14,202)	57	(14,145)
<b>Restated balance at 30 June 2020</b>	<b>1,864,201</b>	<b>3,701,428</b>	<b>57</b>	<b>5,565,686</b>

**Transport for NSW**  
**Notes to the financial statements**  
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**21. Provisions**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Land and buildings remediation	7,466	10,847
Lease make good costs	3,520	6,997
Other	22,753	67,546
<b>Current provisions</b>	<b>33,739</b>	<b>85,390</b>
<b>Non-current</b>		
Lease make good costs	27,977	26,112
Biodiversity	2,642	5,591
<b>Non-current provisions</b>	<b>30,619</b>	<b>31,703</b>

**Recognition and measurement**

The make good leaseholds provision is calculated on all leased properties where Transport for NSW is the lessee and reflects an estimate of the cost to make good the premises to their original condition at the end of the lease term. If the effect of the time value of money is material, provisions are discounted at an average rate of 0.3% (2020: 0.3%). The level of the provision is reviewed at the end of each reporting period. Additional provisions recognised of \$5.0 million reflects new leases entered into during the year.

The provision for biodiversity represents the best estimate of the expenditure required to settle biodiversity credits arising from Transport for NSW's construction works as well as maintain the required level of biodiversity on Transport for NSW land.

Other provisions include compliance claims and other contractual obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation including timing of the settlement.

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

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

**Transport for NSW**  
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**21. Provisions (cont'd)**

**Movement in provisions**

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

		Land and buildings remediation	Lease make good costs	Biodiversity	Other	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the financial year		10,847	33,109	5,591	67,546	117,093
Net increase/(decrease) from administrative restructure	23(e)	1,759	-	-	-	1,759
Additional provision recognised		1,414	5,006	1,609	53,377	61,406
Unused amounts reversed		(6,554)	(2,468)	-	(3,634)	(12,656)
Unwinding/change in the discount rate		-	1,851	-	-	1,851
Amounts used		-	(6,001)	(4,558)	(94,536)	(105,095)
<b>Carrying amount at the end of financial year</b>		<b>7,466</b>	<b>31,497</b>	<b>2,642</b>	<b>22,753</b>	<b>64,358</b>

**Transport for NSW**  
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**22. Other liabilities**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Statutory creditors	22,180	22,821
Sydney Harbour Tunnel tax liabilities	4,686	4,631
Opal card holding accounts	215,717	224,372
Other holding accounts	2,564	2,336
E-tag holding accounts	64,096	66,151
Grant of right to operate liability under service concessions*	547,888	460,773
Priority list on moorings	670	547
Wetland lease security deposits	-	1,513
Contribution from City of Sydney for light rail	-	178,900
Other	160	513
<b>Current other liabilities</b>	<b>857,961</b>	<b>962,557</b>
Sydney Harbour Tunnel tax liabilities	3,322	7,741
Grant of right to operate liability under service concessions*	16,797,694	14,518,004
Security deposit	-	45
<b>Non-current other liabilities</b>	<b>16,801,016</b>	<b>14,525,790</b>

\*This is the unearned portion of the revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Note 3(i) and 14 for further information on service concession arrangements.

Refer to Note 3(i) for a description of the entity's obligations under transfers received to acquire or construct non-financial assets to be controlled by the entity.

**Transport for NSW**  
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**23. Equity and reserves**

**(a) Asset revaluation reserve**

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with Transport for NSW's policy on the revaluation of property, plant and equipment as discussed in Note 14.

**(b) Hedge reserve**

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

**(c) Accumulated funds**

Accumulated funds includes all current and prior period retained funds.

**(d) Equity transfers**

	Notes	2021 \$'000	2020 \$'000
Property, plant and equipment transferred to Transport Asset Holding Entity	14	(407)	-
Property, plant and equipment transferred from Infrastructure NSW	14	4,493	-
Intangibles transferred from Sydney Metro	16	-	26,139
Cash transferred to Railcorp		-	(4,809)
Accrued liability transferred to Railcorp		-	4,809
Receivable transferred to Railcorp		-	(2,125)
Property, plant and equipment transferred to Railcorp	14	-	(4,720,212)
Property, plant and equipment transferred from Sydney Metro	14	-	21,496
<b>Equity Transfers</b>		<b>4,086</b>	<b>(4,674,702)</b>

## **23. Equity and reserves (cont'd)**

### **(d) Equity transfers (cont'd)**

#### **2021**

On 12 June 2020, the Premier approved the transfer of certain assets, including assets under construction, relating to the Redfern-Eveleigh and Bays West precincts (net \$4.5 million), effective 1 July 2020, from Infrastructure NSW to Transport for NSW.

On 15 January 2021, the Transport Secretary approved the transfer of Lot 4 DP 808842 located at Bowral, as well as Part Lot 11 DP 1216346 and Part Lot 3907 DP 1215684 located at Mittagong together with any assets, rights and liabilities (net \$0.4 million) from Transport for NSW to Transport Asset Holding Entity of New South Wales (TAHE).

#### **2020**

On 1 July 2019, the Minister for Transport and Roads approved the transfer of certain assets and liabilities relating to the Country Regional Network (net \$4.5 billion), including assets and assets under construction, from Transport for NSW to RailCorp, effective 1 July 2019.

On 31 March 2020, the Transport Secretary approved the transfer of certain assets relating to the Wickham Transport Interchange Project (net \$195.6 million) from Transport for NSW to RailCorp, effective 31 March 2020.

On 30 June 2020, the Transport Secretary approved the transfer of Electronic Ticketing Systems, Wayfinding and Data Exchange assets for Sydney Metro Northwest (net \$47.6 million) from Sydney Metro to Transport for NSW, effective 30 June 2020.

### **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.

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**23. Equity and reserves (cont'd)**

**(e) Administrative restructure**

Net assets and liabilities transferred to and (from) Transport for NSW were as follows:

Year ended 30 June 2020

	Department of Planning, Industry and Environment	RMS with adoption of AASB 1059	RMS impact of of AASB 1059	RMS without adoption of AASB 1059
	\$'000	\$'000	\$'000	\$'000
	2021	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	-	866,443	-	866,443
Receivables	1,838	521,642	(19,977)	541,619
Financial assets at fair value	-	124,202	-	124,202
Inventories	-	5,225	-	5,225
Non-current assets held for sale	-	18,544	-	18,544
<b>Total current assets</b>	<b>1,838</b>	<b>1,536,056</b>	<b>(19,977)</b>	<b>1,556,033</b>
Property plant & equipment				
Receivables	-	44,228	(2,291,556)	2,335,784
Other financial assets	-	244,415	-	244,415
Property plant & equipment				
Land and buildings	30,598	3,573,395	112,091	3,461,304
Plant and equipment	2	112,701	5,451	107,250
Infrastructure systems	874,539	119,151,717	20,868,249	98,283,468
Right of use assets	-	194,182	-	194,182
Intangible private sector provided infrastructure	-	-	(2,519,683)	2,519,683
Intangible assets	-	237,030	-	237,030
<b>Total non-current assets</b>	<b>905,139</b>	<b>123,557,668</b>	<b>16,174,552</b>	<b>107,383,116</b>
<b>Total assets</b>	<b>906,977</b>	<b>125,093,724</b>	<b>16,154,575</b>	<b>108,939,149</b>
<b>LIABILITIES</b>				
Current liabilities				
Payables	147	1,056,826	-	1,056,826
Borrowings	-	585,512	466,665	118,847
Provisions	1,759	134,398	-	134,398
Other liabilities	-	611,678	345,905	265,773
Contract liabilities	78	-	-	-
<b>Total current liabilities</b>	<b>1,984</b>	<b>2,388,414</b>	<b>812,570</b>	<b>1,575,844</b>
Non-current liabilities				
Payables	-	5,349	-	5,349
Borrowings	-	560,211	268,266	291,945
Provisions	-	19,415	-	19,415
Other liabilities	-	14,136,519	13,408,748	727,771
<b>Total non-current liabilities</b>	<b>-</b>	<b>14,721,494</b>	<b>13,677,014</b>	<b>1,044,480</b>
<b>Total liabilities</b>	<b>1,984</b>	<b>17,109,908</b>	<b>14,489,584</b>	<b>2,620,324</b>
<b>Net assets</b>	<b>904,993</b>	<b>107,983,816</b>	<b>1,664,991</b>	<b>106,318,825</b>



**23. Equity and reserves (cont'd)**

**(e) Administrative restructure (cont'd)**

**2021**

The Minister for Transport and Roads, the Minister of Water, Property and Housing, and the Minister for Planning and Public Spaces approved the establishment of the Maritime Infrastructure Delivery Office within Transport for NSW by transferring relevant functions, programs, funding, and certain assets and liabilities (net \$905.0 million) from the Department of Planning, Industry and Environment (DPIE) to Transport for NSW. The transfer was effective from 1 July 2020.

**2020**

The Transport Administration Amendment (RMS Dissolution) Bill 2019 assented on 22 November 2019 dissolved Roads and Maritime Services on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred to Transport for NSW to be used, recovered or settled in the normal course of business by the transferee.

Details of the comparative Statement of comprehensive income of the former Roads and Maritime Services is included below:

**Transport for NSW**  
**Notes to the financial statements**  
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	Transfer in Roads and Maritime Services		
	5 month actual to	5 month actual to	5 month actual to
	30-Nov-19	30-Nov-19	30-Nov-19
	with adoption of AASB 1059	Impact of AASB 1059	without adoption of AASB 1059
	\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>			
Operating expenses			
Personnel service expenses	214,858	-	214,858
Other operating expenses	567,005	(7,897)	574,902
Depreciation and amortisation	822,162	185,481	636,681
Grants and subsidies	164,794	-	164,794
Finance costs	8,090	(417)	8,507
Other expenses	210	-	210
<b>Total expenses excluding losses</b>	<b>1,777,119</b>	<b>177,167</b>	<b>1,599,952</b>
<b>Revenue</b>			
Sales of goods and services	298,652	(214)	298,866
Investment revenue	14,929	-	14,929
Retained taxes, fees and fines	29,169	-	29,169
Grants and contributions	3,356,786	-	3,356,786
Resources received free of charge	24,934	-	24,934
Other revenue	132,596	(58,252)	190,848
<b>Total revenue</b>	<b>3,857,066</b>	<b>(58,466)</b>	<b>3,915,532</b>
Gain/(loss) on disposal of property, plant and equipment	(398)	-	(398)
Impairment gain/(loss) on financial assets	(3,831)	-	(3,831)
Other gains/(losses)	(171,027)	(103)	(170,924)
<b>Net result</b>	<b>1,904,691</b>	<b>(235,736)</b>	<b>2,140,427</b>

## 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. Commitments for expenditure

	2021 \$'000	2020 \$'000
<b>(a) Capital commitments</b>		
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at balance date and not provided for:		
Not later than one year	4,533,874	4,310,118
Later than one year and not later than five years	5,167,173	4,061,361
Later than five years	1,725	1,499
<b>Total (including GST)</b>	<b>9,702,772</b>	<b>8,372,978</b>

The total commitments detailed above include GST input tax credits of \$874.0 million (2020: \$761.2 million) that are expected to be recoverable from the ATO.

## **25. Contingent liabilities and contingent assets**

Transport for NSW has several contractual disputes with an estimated total contingent liability of \$450.3 million (June 2020: \$398.5 million). There are a number of other contractual claims that have arisen from the normal course of business. The amount of the liability that may arise from these claims cannot be measured reliably at this time. There is significant uncertainty as to whether a future liability will arise in respect to these items.

Transport for NSW also has a number of compulsory property acquisition matters under litigation where claims differ from the Valuer General's determined amount. These have an estimated contingent liability of \$127.5 million (June 2020: \$1,037.0 million) and are net of Treasury Managed Fund (TMF) reimbursements.

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

Transport for NSW has a number of environmental matters emerging from its normal road construction works. There is significant uncertainty as to whether any future liability will emerge in respect of these matters as they are in early state of works, and cannot be reliably measured at this time.

Transport for NSW has certain obligations under contracts with private sector parties with the performance of these obligations guaranteed by the State. 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. These guarantees are unlikely to ever be exercised.

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability for a period of at least 12 months from the date that the 30 June 2021 Prime return for OTSI is submitted. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to Government.

Transport for NSW has also made a number of claims with an estimated total contingent asset of \$8.5 million (June 2020: \$4.4 million).

Apart from the matters mentioned above, Transport for NSW does not have any other contingent liabilities or contingent assets that would significantly impact on the state of affairs of Transport for NSW or have a material effect on these financial statements.

**Transport for NSW**  
**Notes to the financial statements**  
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**26. Reconciliation of net cash flows from operating activities to net result**

	Notes	2021 \$'000	Restated 2020 \$'000
Net cash inflows/(outflows) from operating activities		8,300,048	5,204,758
Depreciation and amortisation	2(d)	(2,914,127)	(1,729,052)
M2 and Eastern Distributor Promissory Notes	3(c)	11,252	943
Revenue related to service concession arrangements	3(i)	507,601	184,488
Assets free of charge		-	17,556
Other non-cash items		(28,604)	63,317
Property, plant and equipment transferred from councils	14	7,703	315
Roads and bridges transferred to councils	14	(833,554)	(556,533)
Revaluation increment/(decrement) of assets	14	(188,107)	(152,880)
(Decrease) / increase in receiv., invent. and oth. assets		479,101	(295,996)
(Increase) / decrease in payables and provisions		(674,863)	227,784
Derecognition, impairment/reversal of impairment and write off assets		109,485	(425,075)
Assets written off	14	(382,868)	(53,437)
Net gain/(loss) on sale of assets held for sale	4	9,255	2,563
Net gain / (loss) on sale of property	4	(4,379)	(15,078)
<b>Reconciliation to net result</b>		<b>4,397,945</b>	<b>2,473,673</b>

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

	Notes	2021 \$'000	Restated 2020 \$'000
Lease liabilities in respect of acquisition of plant and equipment		(2,663,790)	(1,495,103)
Financial liabilities in respect of Sydney Light Rail		(16,402)	(86,637)
<b>Non-cash financing activities</b>		<b>(2,680,192)</b>	<b>(1,581,740)</b>
Plant and equipment acquired by lease		2,663,790	1,495,103
Assets recognised for the first time	3(i)	3,422	86,395
Asset written off	5, 14	(382,868)	(53,437)
Impairment reversal/(losses) on property, plant and equipment	5	123,026	(353,518)
Impairment losses on assets held for sale	5	(7,222)	-
Impairment losses on right of use assets	5	(6,319)	(71,557)
M2 and Eastern Distributor promissory notes	3(c)	11,252	943
Net revaluation increment/(decrement) recognised in net result	5, 14	(188,107)	(152,880)
Property, plant and equipment transferred from councils	14	7,703	320
Property, plant and equipment transferred to councils, NSW government agencies & other parties	2(e), 14	(833,554)	(556,533)
Capitalisation of Sydney Light Rail asset		16,402	86,637
Transfer from administrative restructure - others	23(e)	904,993	107,983,816
Equity transfers	23(d)	4,086	(4,674,702)
Resources received free of charge	3(h)	36,033	44,296
<b>Non-cash investing activities</b>		<b>2,352,637</b>	<b>103,834,883</b>
<b>Non-cash financing and investing activities</b>		<b>(327,555)</b>	<b>102,253,143</b>

**Transport for NSW**  
**Notes to the financial statements**  
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**28. Administered income and expenses**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Transfer receipts</b>		
Taxes, fees and fines	683,808	392,567
Stamp duty	961,081	440,953
Motor vehicle weight tax and fines	2,351,426	1,315,879
Other	89,367	45,986
<b>Administered income</b>	<b>4,085,682</b>	<b>2,195,385</b>
<b>Administered expenses</b>		
Taxes, fees and fines	(2,644)	(4,637)
<b>Administered expenses</b>	<b>(2,644)</b>	<b>(4,637)</b>
<b>Total administered income and expenses</b>	<b>4,083,038</b>	<b>2,190,748</b>

**Recognition and Measurement**

Transport for NSW administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown in the right of the State of New South Wales. Monies collected are not recognised as Transport for NSW's revenue but are separately disclosed. Transport for NSW is accountable for the transactions relating to these administered activities but does not have the discretion, for example, to deploy the resources for the achievement of its own objectives. Expenses incurred in collecting monies on behalf of the Crown in the right of the State of New South Wales are recognised as Transport for NSW's expenses. The accrual basis of accounting and all applicable accounting standards have been adopted.

**Transport for NSW**  
**Notes to the financial statements**  
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**29. Administered assets and liabilities**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash	36,852	44,068
<b>Administered assets</b>	<b>36,852</b>	<b>44,068</b>
Holding accounts (current liabilities-other)	36,852	44,068
Other <sup>1</sup>	288,120	272,383
<b>Administered liabilities</b>	<b>324,972</b>	<b>316,451</b>

<sup>1</sup> The amount of multiple licence fees issued in the current period is approximately \$169.9 million (2020: \$92.4 million). The maximum period of licence is 10 years. First year licences are not deemed to be a liability. The outstanding liability above represents the remaining 9 years.

**Recognition and Measurement**

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

Transactions and balances relating to the administered activities are not recognised as Transport for NSW' assets and liabilities, but are disclosed separately. The holding accounts and remitting account balances above represent fees collected by motor registries that have not been remitted to the third party they are being administered for (generally NSW Treasury and the National Heavy Vehicle Regulator).

**30. Financial instruments**

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

Transport for NSW main risks arising from financial instruments are outlined below, together with Transport for NSW's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary has overall responsibility for the establishment and oversight of risk management and review, and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set risk limits and controls and to monitor risks. Compliance with these policies is subject to review by the reporting entity on a continuous basis.

**Transport for NSW**  
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**30. Financial instruments (cont'd)**

**(a) Financial instrument categories**

<b>Class</b>	<b>Note</b>	<b>Category</b>	<b>Carrying amount 2021 \$'000</b>	<b>Carrying amount 2020 \$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	7	N/A	2,509,789	1,643,257
Receivables <sup>1</sup>	8	Loans and receivables (measured at amortised cost)	850,917	560,073
Financial assets at fair value	11	Fair value through profit or loss – designated as such at initial recognition	133,993	119,970
Other financial assets	13	Amortised cost	281,408	256,027
			<b>3,776,107</b>	<b>2,579,327</b>
<b>Financial liabilities</b>				
Payables <sup>3</sup>	19	Financial liabilities measured at amortised cost	3,319,869	2,126,148
Other Liabilities	22	Financial liabilities measured at amortised cost	290,545	484,644
Borrowings	20	Financial liabilities measured at amortised cost	4,743,973	5,565,628
Financial liabilities at fair value	20	Fair value through profit or loss – designated as such at initial recognition	119	57
			<b>8,354,506</b>	<b>8,176,477</b>

During 2021, there were no defaults on any loans payable (2020: nil).

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

<sup>2</sup> While contract assets are also not financial assets, they are explicitly included in the scope of AASB 7 for the purpose of the credit risk disclosures.

<sup>3</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

The entity determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.



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

#### **(b) Derecognition of financial assets and financial liabilities**

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if Transport for NSW transfers its right to receive cash flows from the assets; or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- Transport for NSW has transferred substantially all the risks and rewards of the asset; 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 nil (2020: nil) in derivative financial assets and \$0.1 million (2020: \$0.1 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.

**Transport for NSW**  
**Notes to the financial statements**  
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**30. Financial instruments (cont'd)**

**(c) Derivatives (cont'd)**

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

	Weighted average exchange rate	Contract value \$'000	Expected Cash Flows			Total \$'000
			No later than 3 months \$'000	Later than 3 months and no later than 12 months \$'000	Later than 12 months \$'000	
<b>30 June 2021</b>						
Denominated in US Dollars	0.72	2,454	460	1,381	613	2,454
Denominated in Euros	0.63	2,408	-	2,408	-	2,408
<b>Foreign exchange contracts</b>	<b>0.68</b>	<b>4,862</b>	<b>460</b>	<b>3,789</b>	<b>613</b>	<b>4,862</b>
<b>30 June 2020</b>						
Denominated in US Dollars	0.69	1,251	1,091	160	-	1,251
Denominated in Euros	0.60	919	-	919	-	919
<b>Foreign exchange contracts</b>	<b>0.65</b>	<b>2,170</b>	<b>1,091</b>	<b>1,079</b>	<b>-</b>	<b>2,170</b>

Information about the exposure is provided: credit risk in Note 30(d), the methods and assumptions used in determining fair values of derivatives in Note 30(c).

**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.

**(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.

**Transport for NSW**  
**Notes to the financial statements**  
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**30. Financial instruments (cont'd)**

**(d) Credit risk (cont'd)**

**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.

**Accounting policy for impairment of trade debtors and other financial assets**

**Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payment for a period of greater than 90 days past due. These changes on loss allowance for trade debtors as at 30 June 2021 and 30 June 2020 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.

The entity recognised provision for expected credit losses on its trade debtors in the amount of \$7.5 million at 30 June 2021 (2020: \$11.6 million).

Trade Debtors	Current \$'000	<31 days \$'000	31-60 days \$'000	61-90 days \$'000	>91 days \$'000	Total \$'000
<b>30 June 2021</b>						
Expected credit loss rate	0.01%	0.16%	0.77%	1.27%	36.10%	
Estimated total gross carrying amount at default	130,587	69,732	12,012	9,030	19,933	241,294
Expected credit loss	9	112	93	115	7,196	7,525
<b>30 June 2020</b>						
Expected credit loss rate	0.00%	2.81%	10.82%	0.32%	43.26%	
Estimated total gross carrying amount at default	10,557	12,226	3,529	50,412	24,743	101,467
Expected credit loss	-	343	382	161	10,705	11,591

The ageing analysis excludes statutory receivables as these are not within scope of AASB 7.

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

**(d) Credit risk (cont'd)**

**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.

**(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 (2020: nil) of which nil (2020: nil) 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.

**Transport for NSW**  
**Notes to the financial statements**  
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**30. Financial instruments (cont'd)**

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

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

	Weighted average effective Int. rate (%)	Interest rate exposure			Maturity dates			
		Nominal amount	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>2021</b>								
<b>Payables</b>								
Trade creditors		94,360	-	-	94,360	94,360	-	-
Accruals		2,431,135	-	-	2,431,135	2,076,451	354,684	-
Other creditors		524,758	-	-	524,758	524,758	-	-
Personnel service payable		269,618	-	-	269,618	269,618	-	-
Other liabilities		290,545	-	-	290,545	287,223	3,322	-
<b>Borrowings</b>								
Lease liabilities	2.82%	1,715,406	791,125	924,281	-	221,811	629,826	862,769
Service concession liabilities	1.26%	3,028,567	361,098	2,667,469	-	1,119,513	487,514	1,421,540
<b>Derivative financial instruments</b>								
Foreign exchange contracts outflow		119	-	-	119	119	-	-
		<b>8,354,508</b>	<b>1,152,223</b>	<b>3,591,750</b>	<b>3,610,535</b>	<b>4,594,853</b>	<b>1,475,346</b>	<b>2,284,309</b>
<b>2020</b>								
<b>Payables</b>								
Trade creditors		96,014	-	-	96,014	96,014	-	-
Accruals		1,754,417	-	-	1,754,417	1,573,106	181,311	-
Other creditors		71,067	-	-	71,067	71,067	-	-
Personnel service payable		204,651	-	-	204,651	204,651	-	-
Other liabilities		484,644	-	-	484,644	476,903	7,741	-
<b>Borrowings</b>								
Lease liabilities	2.98%	1,864,201	-	1,846,008	18,193	220,126	587,496	1,105,679
Service concession liabilities	2.18%	3,701,427	3,701,427	-	-	677,395	1,481,166	1,542,866
<b>Derivative financial instruments</b>								
Foreign exchange contracts outflow		57	-	-	57	57	-	-
		<b>8,176,478</b>	<b>3,701,427</b>	<b>1,846,008</b>	<b>2,629,043</b>	<b>3,319,319</b>	<b>2,257,714</b>	<b>2,599,445</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

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

#### (f) Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. Transport for NSW's exposure to market risk is primarily through interest rate risk on Transport for NSW's borrowings, foreign exchange risks associated with overseas purchase commitments and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Investment 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:

	<b>2021</b>	
	<b>\$'000</b>	
	<b>-1%</b>	<b>+1%</b>
Net result	6,699	(6,699)
Equity	6,699	(6,699)

  

	<b>2020</b>	
	<b>\$'000</b>	
	<b>-1%</b>	<b>+1%</b>
Net result	(1,696)	1,696
Equity	(1,696)	1,696

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

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

#### (f) Market risk (cont'd)

##### Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Transport for NSW manages its foreign exchange risk by entering into forward exchange contracts in accordance with the Transport for NSW risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily denominated in Euros and US dollars, have been fully hedged using forward contracts that mature on the same dates as the forecast purchase are due for payment. These contracts are designated as cash flow hedges.

Transport for NSW's exposure to foreign exchange risk is set out in the table below, with all other variables being held constant. All underlying exposure and related hedges are taken into account. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedge.

A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against other currencies. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

	Contract value \$ '000	+10%		-10%	
		Net result \$ '000	Equity \$ '000	Net result \$ '000	Equity \$ '000
<b>30 June 2021</b>					
Denominated in US Dollars	2,454	245	-	(245)	-
Denominated in Euros	2,408	120	121	(120)	(121)
<b>Foreign exchange contracts</b>	<b>4,862</b>	<b>365</b>	<b>121</b>	<b>(365)</b>	<b>(121)</b>
<b>30 June 2020</b>					
Denominated in US Dollars	1,251	203	-	(166)	-
Denominated in Euros	919	-	92	-	(92)
<b>Foreign exchange contracts</b>	<b>2,170</b>	<b>203</b>	<b>92</b>	<b>(166)</b>	<b>(92)</b>

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

### 30. Financial instruments (cont'd)

#### (g) Other price risk – TCorpIM Funds

Exposure to 'Other Price Risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. Transport for NSW has no direct equity investments and holds units in the following TCorpIM Funds Trusts:

Fund	Investments	Investment horizon	2021	2020
			\$ '000	\$ '000
TCorpIM Medium Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Inflation linked bonds, Fixed interest, Global Credit, High Yield, Multi-Asset	3 years to 7 years	88,898	81,766
TCorp Long Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Fixed interest, Global Credit, High Yield, Multi-Asset	7 years and over	45,095	38,198
			<b>133,993</b>	<b>119,964</b>

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

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, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the IM Funds facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds limits Transport for NSW's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results. A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at Transport for NSW each year for each facility (balance from TCorpIM Funds)

Facility	Change in unit price	Impact on net result/equity	
		2021 \$ '000	2020 \$ '000
TCorpIM Medium Term Growth Fund	+/- 6%	5,334	4,906
TCorpIM Long Term Growth Fund	+/- 13%	5,862	4,966



**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2021

**30. Financial instruments (cont'd)**

**(h) Fair value recognised in the Statement of financial position**

<b>30 June 2021</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	-	-	-
TCorp IM funds	-	133,993	-	133,993
<b>Financial assets at fair value</b>	<b>-</b>	<b>133,993</b>	<b>-</b>	<b>133,993</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	119	-	119
<b>Financial liabilities at fair value</b>	<b>-</b>	<b>119</b>	<b>-</b>	<b>119</b>

<b>30 June 2020</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value</b>				
Derivative financial instruments	-	6	-	6
TCorp IM funds	-	119,964	-	119,964
<b>Financial assets at fair value</b>	<b>-</b>	<b>119,970</b>	<b>-</b>	<b>119,970</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments	-	57	-	57
<b>Financial liabilities at fair value</b>	<b>-</b>	<b>57</b>	<b>-</b>	<b>57</b>

Transport for NSW uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 - Derived from quoted prices in active markets for identical assets / liabilities.

Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 - Derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs)

Transport for NSW has assessed the fair value of its foreign exchange derivatives 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.

**Transport for NSW**  
**Notes to the financial statements**

for the year ended 30 June 2021

**30. Financial instruments (cont'd)**

**(i) Fair value recognised in the Statement of financial position (cont'd)**

There were no changes in the valuation techniques during the year.

The table above only includes financial assets, as no financial liabilities were measured at fair value in the Statement of Financial Position.

The value of the TCorpIM Funds is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds facilities are valued using 'redemption' pricing.

**(j) Fair value compared to carrying amount**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The following table details the financial instruments, by class, where the fair value differs from the carrying amount:

	2021		2020	
	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000
<b>Financial liabilities</b>				
Service concession financial liabilities - CBD & South East Light Rail	2,485,675	2,667,469	2,816,856	2,801,576
	2,485,675	2,667,469	2,816,856	2,801,576

The fair value of service concession financial liabilities is calculated using Transport for NSW's incremental borrowing rates, which is based on TCorp lending rates.

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

### 31. Related party disclosures

#### a) Key management personnel compensation

During the year, the entity incurred \$5.8 million in respect of the key management personnel services that are provided by the Department of Transport and Transport Service of NSW. The amount incurred excludes long service leave and defined benefit superannuation scheme benefits assumed by the Crown in the right of the State of New South Wales in accordance with NSWTC 16-12 Related party disclosures.

	2021 \$'000	2020 \$'000
Salaries	5,841	5,692
<b>Total remuneration</b>	<b>5,841</b>	<b>5,692</b>

#### b) Transactions and outstanding balances with key management personnel of the entity and its parent during the financial year

There were no material transactions or outstanding balances with key management personnel of the entity and its parent during the financial year (2020: nil).

#### c) Transactions and outstanding balances with other related parties during the financial year

There were no transactions or outstanding balances with other related parties during the financial year (2020: nil).

#### d) Transactions with government related entities during the financial year

During the financial year ended 30 June 2021, Transport for NSW has entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Grants and contributions from the Crown to fund redundancy grants in the Transport cluster, the Restart Grants, capital works, Sydney Metro, Parramatta Light Rail project, Albion Park rail bypass and Berry to Bomaderry upgrade
- Monthly reimbursements from TAHE for the design and construction of major rail projects
- Recoupment of project costs incurred by Transport for NSW on behalf of Sydney Trains, Sydney Metro and Department of Planning and Environment
- Recoupment of services provided to Transport cluster agencies
- Payments for professional services provided by Infrastructure NSW, Sydney Trains, Department of Education and Communication, Department of Planning and Environment, and Infrastructure NSW and Ministry of Health
- Grants paid to various Transport cluster agencies including Sydney Trains, NSW Trains, State Transit Authority and Sydney Metro
- Road safety grants paid to NSW Police to support drug and alcohol screening
- Grants paid to Ministry of Health for widening Hawkesbury Road as part of the Parramatta Light Rail project
- Grants paid to the State Insurance Regulatory Authority for Centre for Road Safety
- Grants paid to TAHE for rail services and capital works
- Land transferred to the Department of Planning, Industry and Environment
- Reimbursements to State Transit Authority for bus leases and running costs
- Hire of bus services for major events from State Transit Authority

## Transport for NSW Notes to the financial statements

for the year ended 30 June 2021

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### 31. Related party disclosures (cont'd)

#### d) Transactions with government related entities during the financial year (cont'd)

- Payments for personnel services provided by Transport Service and the Department of Transport and personnel service revenue for seconded staff from other NSW government agencies
- Rental and accommodation expenses paid to Property NSW
- Equity transfers from TAHE to Transport for NSW under the *Transport Administration Act 1988*
- Transfer assets, rights and liabilities from Infrastructure NSW under clause 35 of Schedule 6 to the Growth Centres (Development Corporations) Act 1974
- Insurance payment to and hindsight adjustment received from Insurance and Care NSW and the Treasury Managed Fund (TMF)
- Front-line service delivery fees and associated grant revenue from Service NSW
- Pass through of administered funds collected by Transport for NSW on behalf of Revenue NSW, NSW Treasury and Office of the Children's Guardian
- Investments in TCorp Hourglass facilities and term deposits
- Reimbursement of funds from Resilience NSW for natural disasters

### 32. After balance date events

The COVID-19 pandemic is ongoing and continues to impact the operations of Transport for NSW. Transport for NSW has assessed that there is no material impact on the operating result and the carrying values of assets and liabilities as at 30 June 2021. The on-going pandemic continues to significantly impact revenue and expenses. The financial impact is anticipated to be funded by Government.

In the year ended 30 June 2021, a Corporate Functions Review (CFR) was announced to design a new integrated corporate function across Transport for NSW, Sydney Trains and NSW Trains. An appropriate provision has been recognised in Transport for NSW for employees taking up voluntary redundancy up to 30 June 2021. Post 30 June 2021 there are employees identified as displaced in the new corporate structure, and management is currently reviewing various placement options for these employees. The financial impact of any resulting voluntary redundancies will be recognised in the year ended 30 June 2022.

**End of audited financial statements.**



## INDEPENDENT AUDITOR'S REPORT

### Transport for NSW

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Transport for NSW, which comprise the Statement by the Secretary, the Statement of comprehensive income for the year ended 30 June 2021, the Statement of financial position as at 30 June 2021, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- present fairly Transport for NSW's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the financial statements' section of my report.

I am independent of Transport for NSW in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2021. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

## Key Audit Matter

## How my audit addressed the matter

### Valuation of property, plant and equipment

At 30 June 2021, Transport for NSW reported \$140 billion in property, plant and equipment measured at fair value. The closing balance of property, plant and equipment includes a net revaluation increment of \$380 million recorded during the year ended 30 June 2021.

I considered this to be a key audit matter because of the:

- financial significance of the property, plant and equipment balances
- extent of significant judgements underpinning key assumptions used in the valuation process
- sensitivity of fair value to changes in key assumptions
- specialised and unique nature of the assets impacting on judgement and complexities with applying AASB 13 'Fair Value Measurement' requirements.

Details on the valuation techniques, inputs and processes for property, plant and equipment are disclosed in Notes 14 and 17.

Key audit procedures included:

- obtained an understanding of Transport NSW's approach to estimating the fair value of property, plant and equipment assets
- assessed the competence, capability and objectivity of experts engaged by Transport for NSW
- assessed significant judgements underpinning key assumptions used in valuing unique and specialised assets
- reviewed the reasonableness of all key assumptions and sensitivity of the conclusions to changes in those assumptions
- assessed the sufficiency and appropriateness of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.

### Recognition and measurement of service concession assets and liabilities

At 30 June 2021, the property, plant and equipment balance included \$29.4 billion of assets and \$20.4 billion of liabilities recognised under AASB 1059 'Service Concession Arrangements: Grantors'

I considered this to be a key audit matter because of the:

- financial significance of the service concession asset and liabilities
- extent of significant judgements underpinning key assumptions used in the valuation process
- sensitivity of service concession assets and liabilities to changes in key assumptions
- complexity of recognising and measuring Toll Road assets for the first time under AASB 1059
- the additional disclosure requirements in the financial statements.

Details on the implementation of AASB 1059 and recognition and measurement of service concession assets and liabilities are disclosed in Notes 1(h), 14, 20 and 22.

Key audit procedures included:

- examined contracts, valuation reports and professional accounting advice obtained by the Transport NSW, to assess the reasonableness of the accounting treatment against the requirements of the accounting standard
- assessed the competence, capability and objectivity of valuation experts engaged by Transport for NSW
- assessed reasonableness of significant judgements underpinning key assumptions used in the valuation process and sensitivity of the conclusions to changes in those assumptions
- assessed the appropriateness of the methodology for recognising and measuring Toll Road assets and the conclusions reached
- assessed the sufficiency and appropriateness of Transport for NSW's financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.

## **The Secretary's Responsibilities for the financial statements**

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing Transport for NSW's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the financial statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar6.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf) . The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that Transport for NSW carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Margaret Crawford  
Auditor-General for New South Wales

7 October 2021  
SYDNEY



# **Transport Service of New South Wales**

Annual Financial Statements

for the year ended 30 June 2021



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**Transport Service of New South Wales**  
**Statement by the Secretary**  
for the year ended 30 June 2021

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Pursuant to section 7.6 (4) of the *Government Sector Finance Act 2018*, I declare that, in my opinion:

1. The accompanying financial statements, present fairly the financial position of Transport Service of New South Wales as at 30 June 2021, and the financial performance and cash flows for the year ended on that date.
2. The financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and NSW Treasurer's Directions.



Rob Sharp  
**Secretary**

29 September 2021

## Transport Service of New South Wales Statement of comprehensive income

for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
<b>Expenses excluding losses</b>			
Employee related	2(a)	2,255,835	2,109,089
Other operating	2(b)	49	48
<b>Total expenses excluding losses</b>		<b>2,255,884</b>	<b>2,109,137</b>
<b>Revenue</b>			
Grants and contributions	3(c)	49	48
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	41,448	80,868
Personnel service revenue	3(a)	2,202,689	2,027,846
<b>Total revenue</b>		<b>2,244,186</b>	<b>2,108,762</b>
<b>Net result</b>		<b>(11,698)</b>	<b>(375)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to net result</i>			
Remeasurement of defined benefit superannuation schemes	7	11,698	375
<b>Total other comprehensive income</b>		<b>11,698</b>	<b>375</b>
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

# Transport Service of New South Wales

## Statement of financial position

as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	31,372	50,647
Receivables	5	501,604	299,409
<b>Total current assets</b>		<b>532,976</b>	<b>350,056</b>
<b>Non-current assets</b>			
Receivables	5	39,390	193,610
<b>Total non-current assets</b>		<b>39,390</b>	<b>193,610</b>
<b>Total assets</b>		<b>572,366</b>	<b>543,666</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6	25,690	23,240
Employee benefits	7	370,032	326,816
<b>Total current liabilities</b>		<b>395,722</b>	<b>350,056</b>
<b>Non-current liabilities</b>			
Employee benefits	7	176,644	193,610
<b>Total non-current liabilities</b>		<b>176,644</b>	<b>193,610</b>
<b>Total liabilities</b>		<b>572,366</b>	<b>543,666</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>			
Accumulated funds		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Transport Service of New South Wales Statement of changes in equity

for the year ended 30 June 2021

	Notes	Accumulated funds \$ '000	Total equity \$ '000
<b>Balance at 1 July 2020</b>		-	-
<b>Net result for the year</b>		<b>(11,698)</b>	<b>(11,698)</b>
<b>Other comprehensive income</b>			
Remeasurement of defined benefit superannuation schemes	7	11,698	11,698
<b>Total other comprehensive income</b>		<b>11,698</b>	<b>11,698</b>
<b>Total comprehensive income for the year</b>		-	-
<b>Balance at 30 June 2021</b>		-	-
<b>Balance at 1 July 2019</b>		-	-
<b>Net result for the year</b>		<b>(375)</b>	<b>(375)</b>
<b>Other comprehensive income</b>			
Remeasurement of defined benefit superannuation schemes	7	375	375
<b>Total other comprehensive income</b>		<b>375</b>	<b>375</b>
<b>Total comprehensive income for the year</b>		-	-
<b>Balance at 30 June 2020</b>		-	-

The accompanying notes form part of these financial statements.

## Transport Service of New South Wales Statement of cash flows

for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		(2,174,038)	(2,001,024)
<b>Total payments</b>		<b>(2,174,038)</b>	<b>(2,001,024)</b>
<b>Receipts</b>			
Personnel services		2,154,763	2,008,325
<b>Total receipts</b>		<b>2,154,763</b>	<b>2,008,325</b>
<b>Net cash flows from operating activities</b>	8	<b>(19,275)</b>	<b>7,301</b>
<b>Cash flows from investing activities</b>			
<b>Net cash flows from investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
<b>Net cash flows from financing activities</b>		-	-
<b>Net increase/(decrease) in cash</b>		<b>(19,275)</b>	<b>7,301</b>
Opening cash and cash equivalents		50,647	43,346
<b>Closing cash and cash equivalents</b>	4	<b>31,372</b>	<b>50,647</b>

The accompanying notes form part of these financial statements.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

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### 1. Summary of significant accounting policies

#### (a) Reporting entity

The Transport Service of New South Wales (Transport Service) was established on 1 November 2011 as a not-for-profit agency (as profit is not its principal objective) to employ staff to enable Transport for NSW, which cannot directly employ staff, to undertake its functions. Transport Service also directly employs staff for State Transit Authority (STA), Sydney Metro, 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, Sydney Metro and all senior executives which are assumed by the Crown.

The Transport Administration Amendment (RMS Dissolution) Bill 2019 dissolved RMS on 1 December 2019. On dissolution, RMS' assets, rights, liabilities and functions were transferred to Transport for NSW to be used, recovered or settled in the normal course of business by Transport for NSW. The financial statements thereby include balances and transactions from the former RMS entity from 1 December 2019. The employees assigned to the former RMS are now assigned to Transport for NSW, since 1 December 2019.

Transport Service is a NSW government entity controlled by the Department of Transport. The financial statements of Transport Service are consolidated in the Department of Transport financial statements and the NSW Total State Sector, which is the ultimate parent. Transport Service is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The financial statements of Transport Service for the year ended 30 June 2021 were authorised for issue by the Secretary on the date the accompanying statement was signed.

#### (b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared on an accrual basis in compliance with:

- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- The requirements of the *Government Sector Finance Act 2018* (GSF Act); and
- Treasurer's Directions issued under the GSF Act.

Financial statements items are prepared in accordance with the historical cost convention except for superannuation. Refer Note 7.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

#### (c) Critical accounting estimates, judgements and assumptions

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

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### 1. Summary of significant accounting policies (cont'd)

#### (c) Critical accounting estimates, judgements and assumptions (cont'd)

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.

#### (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 2021

The accounting policies applied in 2021 are consistent with those of the previous financial year. The amendments and interpretations that apply for the first time in 2021 do not have significant impact on the financial statements of Transport Service.

##### (ii) New Australian Accounting Standards issued but not effective

Australian Accounting Standards and Interpretations that have been issued or revised but are not yet effective have not been early adopted in accordance with Treasury mandated policy.

The impact of the following standards in the period of initial application is not expected be significant.

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-8 <i>Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
AASB 2020-3 <i>Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022
AASB 2020-1 <i>Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current</i>	1 January 2023

A number of other new standards or amendments to standards have been identified and assessed and it is expected that they will have no material impact on the financial statements of Transport Service.

#### (g) Impact of COVID-19 on financial reporting for 2020-21

The COVID-19 pandemic continues to impact financial reporting for Transport Service. The potential impacts of COVID-19 on the financial statements have been disclosed in the relevant notes where applicable. Refer Note 7.



## Transport Service of New South Wales Notes to the financial statements

for the year ended 30 June 2021

### 2. Expenses excluding losses

#### (a) Employee related expenses

	2021 \$'000	2020 \$'000
Salaries and wages (including annual leave)	1,900,842	1,726,971
Superannuation - defined benefit plan	11,742	16,284
Superannuation - defined contribution plan	160,873	144,422
Long service leave	33,075	77,335
Workers' compensation insurance	18,087	18,837
Payroll tax and fringe benefit tax	103,441	106,302
Redundancies	27,027	18,160
Other employment benefits	748	778
<b>Employee related expenses</b>	<b>2,255,835</b>	<b>2,109,089</b>

#### (b) Other operating expenses

	2021 \$'000	2020 \$'000
Auditor's remuneration - audit of financial statements	49	48
<b>Other operating expenses</b>	<b>49</b>	<b>48</b>

### 3. Revenue

#### (a) Personnel service revenue

	2021 \$'000	2020 \$'000
Fee for personnel services	2,202,689	2,027,846
<b>Personnel service revenue</b>	<b>2,202,689</b>	<b>2,027,846</b>

#### (b) Acceptance by the Crown Entity of employee benefits and other liabilities

	2021 \$'000	2020 \$'000
Superannuation - defined benefit	9,020	12,337
Long service leave	31,861	67,901
Payroll tax	567	630
<b>Acceptance by the Crown Entity of employee benefits and other liabilities</b>	<b>41,448</b>	<b>80,868</b>

#### (c) Grants and contributions

	2021 \$'000	2020 \$'000
Grant from Transport for NSW	49	48
<b>Grants and contributions</b>	<b>49</b>	<b>48</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 3. Revenue (cont'd)

#### Recognition and measurement

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to Transport Service and the income can be reliably measured.

Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

Income from grants (other than contribution by owners) is recognised when the entity obtains control over the contribution. The entity is deemed to have assumed control when the grant is received or receivable.

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*.

Revenue from rendering of personnel services is recognised when the Entity satisfies the performance obligation by transferring the promised services.

Income from grants without sufficiently specific performance obligations is recognised when the entity obtains control over the granted assets (e.g. cash).

### 4. Cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash at bank	31,372	50,647
<b>Cash and cash equivalents</b>	<b>31,372</b>	<b>50,647</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank.

### 5. Receivables

	2021 \$'000	2020 \$'000
Personnel service receivables	501,604	299,409
<b>Current receivables</b>	<b>501,604</b>	<b>299,409</b>
Personnel service receivables	39,390	193,610
<b>Non-current receivables</b>	<b>39,390</b>	<b>193,610</b>

#### Recognition and measurement

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 5. Receivables (cont'd)

#### Recognition and measurement (cont'd)

##### Subsequent measurement

The entity holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

##### Impairment

The entity recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

The entity first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

### 6. Payables

	2021 \$'000	2020 \$'000
Accruals - salaries and on-costs	22,180	18,027
Creditors	3,510	5,213
<b>Current payables</b>	<b>25,690</b>	<b>23,240</b>

#### Recognition and measurement

Payables include accrued salaries and wages and related on-costs (such as payroll tax, fringe benefits tax, workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

## Transport Service of New South Wales Notes to the financial statements

for the year ended 30 June 2021

### 7. Employee benefits

	2021 \$'000	2020 \$'000
Annual leave <sup>1</sup>	228,678	194,364
Long service leave <sup>2</sup>	117,505	119,878
Workers compensation insurance <sup>3</sup>	4,842	4,163
Payroll tax	7,966	7,893
Public holidays	281	288
Severance payments / redundancies	10,760	230
<b>Current employee benefits</b>	<b>370,032</b>	<b>326,816</b>
Long service leave <sup>2</sup>	13,419	11,124
Workers compensation insurance <sup>3</sup>	25,971	23,269
Superannuation	137,254	159,217
<b>Non-current employee benefits</b>	<b>176,644</b>	<b>193,610</b>
Employee benefits - current	370,032	326,816
Employee benefits - non-current	176,644	193,610
Accruals - salaries and on-costs	22,180	18,027
<b>Total employee benefits and related on-costs</b>	<b>568,856</b>	<b>538,453</b>

<sup>1</sup> It is estimated that the provision for annual leave includes an amount of \$109.2 million that is expected to be taken after 30 June 2022 (after 30 June 2021: \$66.6 million).

<sup>2</sup> The provision for long service leave represents consequential costs not assumed by the Crown Entity for Transport for NSW, Sydney Metro, as well as senior executives of Sydney Trains, NSW Trains and State Transit Authority (STA), and the provision for long service leave and associated consequential costs for STA Employment Group of Transport Service as per NSW TC21/03. It is estimated that the current provision for long service leave includes an amount of \$111.1 million that is expected to be taken after 30 June 2022 (after 30 June 2021: \$112.4 million).

<sup>3</sup> Includes STA self-insurance arrangement for workers compensation.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

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### 7. Employee benefits (cont'd)

#### Recognition and measurement

##### (i) Salaries and wages, annual leave, sick leave and on-costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although 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 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Transport Service has assessed the actuarial advice based on Transport Service's circumstances and has determined that the effect of discounting is immaterial to annual leave.

All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

##### (ii) Long service leave and superannuation

Transport Services' liabilities for long service leave and defined benefit superannuation are either assumed by the Crown 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. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense recognised in the Statement of comprehensive income comprises:

- defined contribution plans, the expense is calculated as a percentage of the employees' salary;
- defined benefit plans, the expense is a multiple of the employees' superannuation contributions as specified in the Treasury Circular "Accounting for Superannuation" (NSW TC 18/10).

When liabilities are assumed by Transport Service, they are recognised in the Statement of financial position and measured as follows:

- Long service leave is measured as the present value of expected future payments to be made in respect of employee's service up to the reporting date, in accordance with AASB 119 *Employee Benefits*. This is based on an actuarial assessment. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service.
- Contributions to defined contribution plans are expensed when incurred. The superannuation expense is calculated as a percentage of the employee's salary. A liability is recognised only to the extent of unpaid employer contributions at reporting date.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

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### 7. Employee benefits (cont'd)

#### Recognition and measurement (cont'd)

##### (ii) Long service leave and superannuation (cont'd)

- For defined benefit plans, actuarial valuations are carried out at each reporting date by Mercer and the actuarial gains and losses are recognised outside of the net result in other comprehensive income in the year in which they occur. Expenses are recognised based on service costs plus net interest on the net liability or asset for the reporting period as calculated and advised by Mercer. A net liability or asset is recognised based on the difference between the present value of Transport Services' defined benefit obligations and the fair value of fund assets as at the reporting date, as adjusted for any asset ceiling. The net liability or asset is actuarially determined.

##### (iii) Consequential on-costs

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*.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

Year ended 30 June 2021	SASS	SANCS	SSS	Total
<b>Member numbers</b>				
Contributors	131	131	-	
Deferred benefits	-	-	-	
Pensioners	225	-	16	
Pensions fully commuted	-	-	2	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability (Note 1)	251,058	9,009	19,734	279,801
Estimated reserve account balance	(114,359)	(14,638)	(13,550)	(142,547)
<b>Deficit/(surplus)</b>	<b>136,699</b>	<b>(5,629)</b>	<b>6,184</b>	<b>137,254</b>
Future service liability (Note 2)	1,501	1,900	-	3,401
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>136,699</b>	<b>(5,629)</b>	<b>6,184</b>	<b>137,254</b>

Year ended 30 June 2020	SASS	SANCS	SSS	Total
<b>Member numbers</b>				
Contributors	154	154	-	
Deferred benefits	-	-	-	
Pensioners	217	-	17	
Pensions fully commuted	-	-	2	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Superannuation Position for AASB 119 purposes</b>				
Accrued liability (Note 1)	257,463	10,716	22,138	290,317
Estimated reserve account balance	(104,293)	(14,123)	(12,684)	(131,100)
<b>Deficit/(surplus)</b>	<b>153,170</b>	<b>(3,407)</b>	<b>9,454</b>	<b>159,217</b>
Future service liability (Note 2)	2,408	2,192	-	4,600
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability to be recognised in Statement of financial position</b>	<b>153,170</b>	<b>(3,407)</b>	<b>9,454</b>	<b>159,217</b>

#### Note 1

The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

#### Note 2

The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed.

(Note: this also includes a contribution tax provision).

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

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### 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 as at 30 June 2021.

- **Description of other entities' responsibilities for the governance of the fund - Para 139(a)(iii)**

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- \* Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- \* Management and investment of the fund assets; and,
- \* Compliance with other applicable regulations.



# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 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 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of year	153,170	(3,407)	9,454	159,217
Current service cost	1,018	376	-	1,394
Net interest on the net defined benefit liability/(asset)	1,277	(31)	82	1,328
Actual return on fund assets less interest income	(12,009)	(1,639)	(1,495)	(15,143)
Actuarial (gains)/losses arising from changes in financial assumptions	(10,393)	(525)	(905)	(11,823)
Actuarial (gains)/losses from liability experience	2,456	(232)	(810)	1,414
Employer contributions	(12,701)	(285)	-	(12,986)
Actuarial (gains)/losses arising from changes in demographic assumptions	13,881	114	(142)	13,853
(Gains)/losses arising from settlements	-	-	-	-
<b>Net defined benefit liability/(asset) at end of year</b>	<b>136,699</b>	<b>(5,629)</b>	<b>6,184</b>	<b>137,254</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 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 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of year	163,153	(3,685)	9,415	168,883
Current service cost	1,380	425	-	1,805
Net interest on the net defined benefit liability/(asset)	2,068	(51)	124	2,141
Actual return on fund assets less interest income	(929)	(132)	(127)	(1,188)
Actuarial (gains)/losses arising from changes in financial assumptions	2,622	287	9	2,918
Actuarial (gains)/losses from liability experience	(2,205)	67	33	(2,105)
Employer contributions	(12,919)	(318)	-	(13,237)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
<b>Net defined benefit liability/(asset) at end of year</b>	<b>153,170</b>	<b>(3,407)</b>	<b>9,454</b>	<b>159,217</b>

- Reconciliation of the fair value of fund assets – Para 140(a)(i)

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at the beginning of the year	104,293	14,123	12,684	131,100
Net decrease in fair value of fund	-	-	-	-
Interest income	880	117	106	1,103
Actual return on fund assets less interest income	12,009	1,639	1,495	15,143
Employer contributions	12,702	285	-	12,987
Contributions by participants	795	-	-	795
Benefits paid	(17,296)	(1,620)	(888)	(19,804)
Taxes, premiums & expenses paid	975	94	153	1,222
Settlements	-	-	-	-
<b>Fair value of fund assets at end of the year</b>	<b>114,358</b>	<b>14,638</b>	<b>13,550</b>	<b>142,546</b>

Year ended 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at the beginning of the year	108,528	15,333	13,234	137,095
Interest income	1,387	193	169	1,749
Actual return on fund assets less interest income	929	132	127	1,188
Employer contributions	12,919	318	-	13,237
Contributions by participants	924	-	-	924
Benefits paid	(18,306)	(1,685)	(891)	(20,882)
Taxes, premiums & expenses paid	(2,088)	(168)	45	(2,211)
Settlements	-	-	-	-
<b>Fair value of fund assets at end of the year</b>	<b>104,293</b>	<b>14,123</b>	<b>12,684</b>	<b>131,100</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 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 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligation at beginning of the year	257,463	10,716	22,138	290,317
Net decrease in present value of defined benefit	-	-	-	-
Current service cost	1,018	376	-	1,394
Interest cost	2,158	86	189	2,433
Contributions by participants	795	-	-	795
Actuarial (gains)/losses arising from changes in demographic assumptions	13,881	114	(143)	13,852
Actuarial (gains)/losses arising from changes in financial assumptions	(10,393)	(525)	(905)	(11,823)
Actuarial (gains)/losses arising from liability experience	2,456	(232)	(810)	1,414
Benefits paid	(17,296)	(1,620)	(888)	(19,804)
Taxes, premiums & expenses paid	975	94	153	1,222
Settlements	-	-	-	-
<b>Present value of defined benefit obligations at end of the year</b>	<b>251,057</b>	<b>9,009</b>	<b>19,734</b>	<b>279,800</b>

Year ended 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligation at beginning of the year	271,681	11,648	22,649	305,978
Net decrease in present value of defined benefit	-	-	-	-
Current service cost	1,380	425	-	1,805
Interest cost	3,455	142	293	3,890
Contributions by participants	924	-	-	924
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	2,622	287	9	2,918
Actuarial (gains)/losses arising from liability experience	(2,205)	67	33	(2,105)
Benefits paid	(18,306)	(1,685)	(891)	(20,882)
Taxes, premiums & expenses paid	(2,088)	(168)	45	(2,211)
Settlements	-	-	-	-
<b>Present value of defined benefit obligations at end of the year</b>	<b>257,463</b>	<b>10,716</b>	<b>22,138</b>	<b>290,317</b>

## Transport Service of New South Wales Notes to the financial statements

for the year ended 30 June 2021

### 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 2021	Total \$'M	Quoted prices in active markets for identical assets \$'M	Significant observable inputs \$'M	Unobservable inputs \$'M
Short term securities	5,109	2,399	2,710	-
Australian fixed interest	904	-	904	-
International fixed interest	1,755	45	1,710	-
Australian equities	8,310	8,308	2	-
International equities	13,890	13,885	5	-
Property	3,288	627	-	2,661
Alternatives	8,530	1	2,710	5,819
<b>Total</b>	<b>41,786</b>	<b>25,265</b>	<b>8,041</b>	<b>8,480</b>

Year ended 30 June 2020	Total \$'M	Quoted prices in active markets for identical assets \$'M	Significant observable inputs \$'M	Unobservable inputs \$'M
Short term securities	4,097	1,890	2,207	-
Australian fixed interest	1,067	-	1,067	-
International fixed interest	1,909	30	1,879	-
Australian equities	7,294	6,902	392	-
International equities	11,950	11,487	463	-
Property	3,353	645	16	2,692
Alternatives	10,522	23	4,337	6,162
<b>Total</b>	<b>40,192</b>	<b>20,977</b>	<b>10,361</b>	<b>8,854</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 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:

	2021 %	2020 %
Short term securities	12.2	10.2
Australian fixed interest	2.2	2.7
International fixed interest	4.2	4.8
Australian equities	19.9	18.1
International equities	33.2	29.7
Property	7.9	8.3
Alternatives	20.4	26.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

#### Fair value of entity's own financial instruments – Para 143

The fair value of the pooled fund assets as at 30 June 2021 include \$41.4 million (2020: \$36.9 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 \$328.0 million (30 June 2020: \$340.0 million).

- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$443.0 million (30 June 2020: \$343.0 million).

- **Significant actuarial assumptions at the reporting date - Para 144**

	2021	2020
Discount rate	1.5% pa	0.87% pa
Salary increase rate (excluding promotional increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter	3.2% pa
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Pensioner mortality	as per the 2021 Actuarial Investigation of the Pooled Fund.	as per the 2018 Actuarial Investigation of the Pooled Fund.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Sensitivity analysis – Para 145**

The entity's total defined benefit obligation as at 30 June 2021 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2021.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Year ended 30 June 2021	Base case	Scenario A -0.5 % discount rate	Scenario B +0.5% discount rate
Discount rate	as above	as above less 0.05% pa	as above plus 0.05% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	279,801	296,277	264,869
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	279,801	294,345	266,506
	Base case	Scenario E +0.5% rate of salary increase	Scenario F -0.5% rate of salary increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	279,801	281,501	278,155
	Base case	Scenario G Lower mortality rates*	Scenario H Higher mortality rates**
Defined benefit obligation (A\$'000)	279,801	281,730	275,789

\*Assumes the short term pensioner mortality improvement factors for years 2021-2026 also apply for years after 2026.

\*\*Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2021 to 2026.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 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 2020 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 2020.

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 2020	Base case	Scenario A	Scenario B
		-0.5% discount rate	+0.5% discount rate
Discount rate	as above	as above less 0.5% pa	as above plus 0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	290,317	306,985	275,195
	Base case	Scenario C	Scenario D
		+0.5% rate of CPI increase	-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)	290,317	304,598	277,236
	Base case	Scenario E	Scenario F
		+0.5% rate of salary increase	-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)	290,317	292,348	288,349
	Base case	Scenario G	Scenario H
		Higher mortality rates*	Lower mortality rates**
Defined benefit obligation (A\$'000)	290,317	295,289	287,178

\*Assumes the short term pensioner mortality improvement factors for years 2020 to 2023 also apply for years after 2023.

\*\*Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2020 to 2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Sensitivity analysis – Para 145 (cont'd)**

In light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, we note that the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, we have shown sensitivities to this assumption for the AASB 1056 results in the table below (results for 2020 shown for comparative purposes).

Scenarios A and B relate to sensitivity of the total accrued benefits figure shown in the AASB 1056 results.

Year ended 30 June 2021	Base case	Scenario A -0.5 % discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	6.5%	6.0%	7.0%
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.7% pa	5.2% pa	6.2% pa
Rate of CPI increase	2.0% pa	as base case	as base case
Salary inflation rate	2.74% pa	as base case	as base case
Accrued benefit (A\$'000)	170,573	176,192	165,361

Year ended 30 June 2020	Base case	Scenario A -0.5 % discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0% pa	6.5% pa	7.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.0% pa	5.5% pa	6.5% pa
Rate of CPI increase	2.0% pa	as base case	as base case
Salary inflation rate	3.2% pa	as base case	as base case
Accrued benefit (A\$'000)	169,979	175,118	165,193

- **Asset-liability matching strategies - Para 146**

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.



# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Funding arrangements - Para 147(a)**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

- Surplus/deficit**

The following is a summary of the 30 June 2021 financial position of the Fund calculated in accordance with AASB 1056 "Superannuation Entities":

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	151,710	8,124	10,739	170,573
Net market value of fund assets	(114,359)	(14,638)	(13,550)	(142,547)
<b>Net (surplus)/deficit</b>	<b>37,351</b>	<b>(6,514)</b>	<b>(2,811)</b>	<b>28,026</b>

Year ended 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	150,091	8,938	10,950	169,979
Net market value of fund assets	(104,293)	(14,123)	(12,684)	(131,100)
<b>Net (surplus)/deficit</b>	<b>45,798</b>	<b>(5,185)</b>	<b>(1,734)</b>	<b>38,879</b>

\*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

- Contribution recommendations**

Year ended 30 June 2021	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contributions rates were: STA Employment Group	2.2	2.5	-

Year ended 30 June 2020	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contributions rates were: STA Employment Group	2.2	2.5	-

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 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 2021 AASB 1056 "Superannuation entities":

Weighted-average assumptions	2021 % p.a.	2020 % p.a.
Expected rate of return on fund assets backing current pension liabilities	6.5% pa	7.0% pa
Expected rate of return on fund assets backing other liabilities	5.7% pa	6.0% pa
Expected salary increase rate (excluding promotional salary increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter	3.2% pa
Expected rate of CPI increase	2.0% pa	2.0% pa

- Expected contributions - Para 147(b)**

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected employer contributions	1,516	252	-	1,768

Year ended 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected employer contributions	1,748	285	-	2,033

- Maturity profile of defined benefit obligation - Para 147(c)**

The weighted average duration of the defined benefit obligation is 11.4 years.

- Profit or loss impact**

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	1,018	376	-	1,394
Net interest	1,277	(31)	82	1,328
(Gains)/Loss on settlement	-	-	-	-
<b>Defined benefit cost</b>	<b>2,295</b>	<b>345</b>	<b>82</b>	<b>2,722</b>

Year ended 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	1,380	425	-	1,805
Net interest	2,068	(51)	124	2,141
(Gains)/Loss on settlement	-	-	-	-
<b>Defined benefit cost</b>	<b>3,448</b>	<b>374</b>	<b>124</b>	<b>3,946</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 7. Employee benefits (cont'd)

#### Defined benefit superannuation overview for STA Employment Group (cont'd)

- Other comprehensive income

Year ended 30 June 2021	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains)/losses on liabilities	5,945	(642)	(1,858)	3,445
Actual return on fund asset less interest income	(12,009)	(1,639)	(1,495)	(15,143)
<b>Total remeasurement in other comprehensive income</b>	<b>(6,064)</b>	<b>(2,281)</b>	<b>(3,353)</b>	<b>(11,698)</b>
Year ended 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains)/losses on liabilities	417	354	42	813
Actual return on fund assets less interest income	(929)	(132)	(127)	(1,188)
<b>Total remeasurement in other comprehensive income</b>	<b>(512)</b>	<b>222</b>	<b>(85)</b>	<b>(375)</b>

### 8. Reconciliation of net cash flows from operating activities to net result

	2021 \$'000	2020 \$'000
Net cash flows from operating activities	(19,275)	7,301
Non cash acceptance by the Crown Entity of employee entitlements	41,448	80,668
Non cash expense (long service leave and superannuation assumed by the Crown Entity)	(41,448)	(80,668)
Actuarial losses/(gains)	(11,698)	(375)
Increase/(decrease) in receivables	47,975	19,569
(Increase)/decrease in payables	(2,450)	9,171
(Increase)/decrease in employee benefits	(26,250)	(36,041)
<b>Net result</b>	<b>(11,698)</b>	<b>(375)</b>

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 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 2021 \$'000	Carrying amount 2020 \$'000
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	4	N/A	31,372	50,647
Receivables <sup>1</sup>	5	Financial assets (at amortised cost)	540,994	493,019
			<b>572,366</b>	<b>543,666</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables <sup>2</sup>	6	Financial liabilities (at amortised cost)	25,051	22,267
			<b>25,051</b>	<b>22,267</b>

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB7)

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

#### (b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if Transport Service transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where Transport Service has not transferred substantially all the risks and rewards, if 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.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

### 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 at 30 June 2021.

#### (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.

	Weighted average effective int. rate (%)	Nominal amount \$ '000	Interest rate exposure			Maturity dates		
			Fixed Interest Rate \$ '000	Variable Interest Rate \$ '000	Non-interest bearing \$ '000	< 1 year \$ '000	1 - 5 years \$ '000	> 5 years \$ '000
2021 Payables:								
Accrued salaries, wages and on-costs	-	22,180	-	-	22,180	22,180	-	-
Other creditors	-	5	-	-	5	5	-	-
<b>Payables</b>	-	<b>22,185</b>	-	-	<b>22,185</b>	<b>22,185</b>	-	-
<b>Total</b>	-	<b>22,185</b>	-	-	<b>22,185</b>	<b>22,185</b>	-	-
2020 Payables:								
Accrued salaries, wages and on-costs	-	18,027	-	-	18,027	18,027	-	-
Other creditors	-	5	-	-	5	5	-	-
<b>Payables</b>	-	<b>18,032</b>	-	-	<b>18,032</b>	<b>18,032</b>	-	-
<b>Total</b>	-	<b>18,032</b>	-	-	<b>18,032</b>	<b>18,032</b>	-	-

#### (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.

# Transport Service of New South Wales

## Notes to the financial statements

for the year ended 30 June 2021

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### 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, and STA. Transport Service and these fellow entities are members of the Department of Transport consolidated entity group.

Long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW, 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 (2020: no transactions or outstanding balances).

### 11. Contingent liabilities and contingent assets

Transport Service had no contingent liabilities or contingent assets at 30 June 2021 or 30 June 2020.

### 12. After balance date events

In the year ended 30 June 2021, a Corporate Functions Review (CFR) was announced to design a new integrated corporate function across Transport for NSW, Sydney Trains and NSW Trains. An appropriate liability and corresponding receivable has been recognised in Transport Service for employees taking up voluntary redundancy up to 30 June 2021. Post 30 June 2021 there are employees identified as displaced in the new corporate structure, and management is currently reviewing various placement options for these employees. The financial impact of any resulting redundancies will be recognised in the year ended 30 June 2022. There will be no impact on the net results or net assets of Transport Service as all the costs are fully recovered from the agencies.

The COVID-19 pandemic is ongoing and continues to impact the operations of Transport Service. Transport Service has assessed that there is no material impact on the operating result and the carrying values of assets and liabilities as at 30 June 2021. Transport Service operates on a cost recovery basis and recovers its costs through Transport cluster agencies and accordingly there is no material impact to revenue and expenses due to the COVID-19 pandemic.

**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 by the Secretary, the Statement of comprehensive income for the year ended 30 June 2021, the Statement of financial position as at 30 June 2021, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Service's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Service in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### The Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Service's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Service carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

1 October 2021  
SYDNEY





# **Sydney Ferries**

Annual Financial Statements

for the year ended 30 June 2021

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**Sydney Ferries**  
**Statement by the Chief Executive**  
for the year ended 30 June 2021

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Pursuant to Section 7.6 (4) of the *Government Sector Finance Act 2018*, I declare that, in my opinion:

- 1) The accompanying financial statements, present fairly the financial position of Sydney Ferries as at 30 June 2021, and the financial performance and cash flows for the year ended on that date.
  
- 2) These financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and NSW Treasurer's Directions.



Megan Bourke-O'Neil  
**Acting Chief Executive**

Date: 30 September 2021

**Sydney Ferries**  
**Statement of comprehensive income**

for the year ended 30 June 2021

	Notes	2021 Actual \$'000	2020 Actual \$'000
<b>Expenses excluding losses</b>			
Operating expenses			
Other operating expenses	2(a)	2,092	1,236
Depreciation and amortisation	2(b)	11,307	13,245
Finance costs	2(c)	11	12
<b>Total expenses excluding losses</b>		<b>13,410</b>	<b>14,493</b>
<b>Revenue</b>			
Operational revenue	3(a)	5,722	8,111
Investment revenue	3(b)	77	317
Other revenue	3(c)	1,892	1,819
<b>Total revenue</b>		<b>7,691</b>	<b>10,247</b>
Other gains/(losses)	4	519	1,670
<b>Net result</b>		<b>(5,200)</b>	<b>(2,576)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result in subsequent periods</i>			
Changes in revaluation surplus of property, plant and equipment	7(b)	-	1,361
<b>Total other comprehensive income</b>		<b>-</b>	<b>1,361</b>
<b>Total comprehensive income</b>		<b>(5,200)</b>	<b>(1,215)</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of financial position**

as at 30 June 2021

	Notes	Actual 2021 \$'000	Actual 2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	42,283	50,978
Receivables	6	953	370
<b>Total current assets</b>		<b>43,236</b>	<b>51,348</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	82,258	77,632
Intangible assets	8	26,391	27,100
Right of use assets	9	480	566
<b>Total non-current assets</b>		<b>109,129</b>	<b>105,298</b>
<b>Total assets</b>		<b>152,365</b>	<b>156,646</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	4,936	4,592
Borrowings	12	79	74
Other provisions	13	1,537	637
Other liabilities	14	2,023	2,274
<b>Total current liabilities</b>		<b>8,575</b>	<b>7,577</b>
<b>Non-current liabilities</b>			
Borrowings	12	430	509
<b>Total non-current liabilities</b>		<b>430</b>	<b>509</b>
<b>Total liabilities</b>		<b>9,005</b>	<b>8,086</b>
<b>Net assets</b>		<b>143,360</b>	<b>148,560</b>
<b>EQUITY</b>			
Accumulated funds		135,872	141,072
Reserves		7,488	7,488
<b>Total equity</b>		<b>143,360</b>	<b>148,560</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of changes in equity**

for the year ended 30 June 2021

	Accumulated funds \$ '000	Asset revaluation surplus \$ '000	Total equity \$ '000
<b>Balance at 1 July 2020</b>	<b>141,072</b>	<b>7,488</b>	<b>148,560</b>
<b>Net result for the year</b>	<b>(5,200)</b>	<b>-</b>	<b>(5,200)</b>
<b>Total comprehensive income for the year</b>	<b>(5,200)</b>	<b>-</b>	<b>(5,200)</b>
<b>Balance at 30 June 2021</b>	<b>135,872</b>	<b>7,488</b>	<b>143,360</b>
<b>Balance at 1 July 2019</b>	<b>143,648</b>	<b>6,127</b>	<b>149,775</b>
<b>Net result for the year</b>	<b>(2,576)</b>	<b>-</b>	<b>(2,576)</b>
<b>Other comprehensive income</b>			
Net increase in asset revaluation surplus	-	1,361	1,361
<b>Total other comprehensive income</b>	<b>-</b>	<b>1,361</b>	<b>1,361</b>
<b>Total comprehensive income for the year</b>	<b>(2,576)</b>	<b>1,361</b>	<b>(1,215)</b>
<b>Balance at 30 June 2020</b>	<b>141,072</b>	<b>7,488</b>	<b>148,560</b>

The accompanying notes form part of these financial statements.

**Sydney Ferries**  
**Statement of cash flows**  
for the year ended 30 June 2021

	Notes	Actual 2021 \$'000	Actual 2020 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Payments to former employees		(403)	(585)
Finance costs		(11)	(12)
Payments to suppliers		(1,791)	(2,473)
<b>Total payments</b>		<b>(2,205)</b>	<b>(3,070)</b>
<b>Receipts</b>			
Operational revenue		5,722	9,505
Interest received		77	317
<b>Total receipts</b>		<b>5,799</b>	<b>9,822</b>
<b>Net cash flows from operating activities</b>	18	<b>3,594</b>	<b>6,752</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangible assets		(12,215)	(891)
<b>Net cash flows from investing activities</b>		<b>(12,215)</b>	<b>(891)</b>
<b>Cash flows from financing activities</b>			
Payment of principal portion of lease liabilities		(74)	(69)
<b>Net cash flows from financing activities</b>		<b>(74)</b>	<b>(69)</b>
<b>Net increase / (decrease) in cash</b>		<b>(8,695)</b>	<b>5,792</b>
Opening cash and cash equivalents		50,978	45,186
<b>Closing cash and cash equivalents</b>		<b>42,283</b>	<b>50,978</b>

The accompanying notes form part of these financial statements.

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2021

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### 1. Summary of significant accounting policies

#### (a) Reporting entity

Sydney Ferries is a statutory corporation established by the *Transport Administration Act 1988*. Sydney Ferries is a NSW Government Agency pursuant to Section 2.4(1)(i) of the *Government Sector Finance Act 2018* and is a controlled entity of Transport for NSW (TfNSW).

TfNSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector (ultimate parent).

Sydney Ferries was initially established to deliver public ferry services in Sydney. On 3 May 2012 the Minister for Transport announced that Harbour City Ferries (HCF) was awarded a contract to operate ferry services on Port Jackson and the Parramatta River for seven years under a new Ferry System Contract between HCF and TfNSW. The contract commenced on 28 July 2012. On 27 February 2019, the Minister for Transport and Infrastructure announced that Transdev (formerly operating as Harbour City Ferries) was awarded the contract to continue operating ferry services in Sydney from 28 July 2019. Transdev leases the vessels, land and buildings from Sydney Ferries. The initial contract term is for 9 years, with options for termination at year 5 and at year 8 at TfNSW's discretion.

Rail Corporation New South Wales (RailCorp) transitioned into Transport Asset Holding Entity (TAHE) on 1 July 2020. TAHE may eventually hold additional public transport assets for the State, including ferry vessel assets currently held by Sydney Ferries.

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 *Government Sector Finance Act 2018* (GSF Act); and
- NSW Treasurer's Directions issued under the GSF Act.

All amounts are rounded to the nearest one thousand dollars unless otherwise stated and are expressed in Australian currency.

#### (c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

#### (d) Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment and intangible assets, which are measured using the fair value basis.

#### (e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognised in the period in which the estimate is revised and in any future periods affected.



# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2021

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### 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 financing and investing activities which is recoverable or payable to the Australian Taxation Office are classified as operating cash flows.

##### (ii) Income Tax

NSW Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime for Government Businesses (Treasury Policy Paper 03-4). Accordingly, tax effect accounting is not prepared.

##### (iii) State taxes

Sydney Ferries is exempt from land tax.

#### (g) Comparatives

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

#### (h) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being Sydney Ferries' operational cycle. In the case of liabilities where Sydney Ferries does not have the unconditional right to defer settlement beyond 12 months, 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 2021

Sydney Ferries has adopted AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of Sydney Ferries.

#### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)**

AASB 1059 is effective for the entity from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-8) was withdrawn effective from 1 July 2020.

Service Concession Arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

Sydney Ferries has adopted the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application of 1 July 2019, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at that date.

The effect of adopting AASB 1059 is as follows:

- There was no impact on the on Statement of comprehensive income for the year ended 30 June 2020;
- There was no impact on the Statement of financial position as at 1 July 2019 or 30 June 2020; and
- There was no impact on Other comprehensive income and the Statement of cash flows.

Sydney Ferries has determined that Transev's operation of vessels owned by Sydney Ferries to provide ferry services in Sydney is a service concession arrangement with Sydney Ferries as the grantor. From 1 July 2020, Sydney Ferries reclassified existing assets that the operator has the right to access to provide ferry services on behalf of Sydney Ferries (i.e. all non-current assets) as service concession assets. The assets comprise existing property, plant and equipment, intangibles and right of use assets. These service concession assets continue to be recognised within their existing line items in the Statement of financial position and as such there is no impact on either the Statement of financial position or the Statement of comprehensive income on adoption of AASB 1059. Prior to the adoption of AASB 1059, Sydney Ferries accounted for these arrangements under the respective accounting standards, primarily AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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**1. Summary of significant accounting policies (cont'd)**

- (i) **Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)**
- (ii) **New Australian Accounting Standards issued but not yet effective**

Australian Accounting Standards and Interpretations that have been issued or revised but are not yet effective have not been early adopted in accordance with Treasury mandated policy.

NSW public sector entities are not permitted to early adopt new AAS, unless Treasury determines otherwise.

The impact of the following standards and amendments in the period of initial application is not expected to be significant:

<b>Standard</b>	<b>Applicable to annual reporting periods beginning on or after</b>
<i>AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
<i>AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 January 2023

A number of other new standards or amendments to standards have been identified and assessed and it is expected that they will have no material impact on the financial statements of Sydney Ferries.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**2. Expenses excluding losses**

**(a) Other operating expenses**

	2021 \$'000	2020 \$'000
Auditor's remuneration - audit of financial statements	47	47
General expenses	7	19
Disposal costs*	1,537	637
Maintenance	19	1,153
Consultants and other contractors**	-	(1,072)
Administration	482	452
<b>Other operating expenses</b>	<b>2,092</b>	<b>1,236</b>

\* Disposal costs relate to provisions recognised in the current year for disposal of six ferries that are no longer in service or will be retired from service in the next 12 months (refer to note 13).

\*\* Consultants and other contractors relates to costs incurred in prior years in connection with the competitive tender to operate ferry services in Sydney. The negative amount of (\$1.072 million) in the prior year reflects the reversal of costs that were over accrued in the prior year following completion of the tender process.

**(b) Depreciation and amortisation**

	Notes	2021 \$'000	2020 \$'000
Buildings		433	407
Ferries		9,855	12,390
Plant and equipment		184	183
<b>Depreciation property, plant and equipment</b>	7	<b>10,472</b>	<b>12,980</b>
Right of use asset - land and building		86	86
<b>Depreciation right of use assets</b>	9(a)	<b>86</b>	<b>86</b>
<b>Depreciation</b>		<b>10,558</b>	<b>13,066</b>
Computer software		749	179
<b>Amortisation</b>	8	<b>749</b>	<b>179</b>
<b>Depreciation and amortisation</b>		<b>11,307</b>	<b>13,245</b>

**(c) Finance costs**

	Notes	2021 \$'000	2020 \$'000
Interest expense from lease liabilities	9(b)	11	12
<b>Finance costs</b>		<b>11</b>	<b>12</b>

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2021

### 2. Expenses excluding losses (cont'd)

#### Recognition and measurement

##### (i) Insurance

Sydney Ferries is a member of the NSW Treasury Managed Fund. Coverage includes, but is not limited to: (a) legal liability inclusive of public liability, professional indemnity, directors & officers and product liability; and (b) personal accident for voluntary workers.

Transdev has appropriate insurance to cover public liability, physical damage, business interruption, and other exposures arising out of normal business operations.

##### (ii) Repairs and maintenance

The cost of routine maintenance and repairs are expensed as incurred, except where they relate to the replacement of a component of an asset that increases the service potential of the asset, in which case the cost is capitalised and depreciated.

##### (iii) Finance costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred.

### 3. Revenue

#### (a) Sale of goods and services from contracts with customers

	2021	2020
	\$'000	\$'000
Ferry lease revenue	5,722	8,111
<b>Sale of goods and services from contracts with customers</b>	<b>5,722</b>	<b>8,111</b>

#### (b) Investment revenue

	2021	2020
	\$'000	\$'000
Interest income	77	317
<b>Investment revenue</b>	<b>77</b>	<b>317</b>

#### (c) Other revenue

	2021	2020
	\$'000	\$'000
Major periodic maintenance revenue	1,892	1,819
<b>Other revenue</b>	<b>1,892</b>	<b>1,819</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**3. Revenue (cont'd)**

**Recognition and measurement**

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* (AASB 15) or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15. The accounting policies for the income recognition are discussed below.

Revenue is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Revenue is not recognised unless receipt is probable and the amount is reliably measureable. Revenue is recognised on major income categories as follows:

**(i) Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term. Further information on leases is contained in note 9.

**(ii) Investment revenue**

Interest revenue is recognised in the Statement of comprehensive income as it accrues, using the effective interest method.

**(iii) Major periodic maintenance (MPM) revenue**

MPM revenue relates to major refit work performed by the ferry service operator (Transdev) on vessels owned by Sydney Ferries. MPM revenue is recognised in line with performance of work undertaken by Transdev. When the work on each vessel is completed, the costs are capitalised to property, plant & equipment and equivalent non-cash MPM revenue recognised. Note 7 Recognition and measurement (vii) contains further information about the recognition of dry docking assets.

**4. Other gains/(losses)**

	Notes	2021 \$'000	2020 \$'000
Impairment reversal on ferries assets	7	2,344	-
Impairment reversals/(losses) on right to receive assets	8	(1,825)	1,670
<b>Other gains/(losses)</b>		<b>519</b>	<b>1,670</b>

**5. Cash and cash equivalents**

	2021 \$'000	2020 \$'000
Cash at bank and on hand	42,283	50,978
<b>Cash and cash equivalents</b>	<b>42,283</b>	<b>50,978</b>

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial year to the Statement of cash flows as follows:

	2021 \$'000	2020 \$'000
Cash and cash equivalents (per Statement of financial position)	42,283	50,978
<b>Closing cash and cash equivalents (per Statement of cash flows)</b>	<b>42,283</b>	<b>50,978</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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**5. Cash and cash equivalents (cont'd)**

**Recognition and measurement (cont'd)**

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**

	2021 \$'000	2020 \$'000
<b>Current receivables</b>		
Goods and Services Tax recoverable	946	370
Prepayments	7	-
<b>Current receivables</b>	<b>953</b>	<b>370</b>

**Recognition and measurement**

**(i) Receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Sydney Ferries holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them at amortised 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.

**(ii) Impairment of financial assets**

Sydney Ferries recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, Sydney Ferries applies a simplified approach in calculating ECLs. Sydney Ferries recognises a loss allowance based on lifetime ECLs at each reporting date. Sydney Ferries has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**7. Property, plant and equipment**

(a) **Total property, plant and equipment**

	Land and buildings \$ '000	Plant and equipment \$ '000	Ferries \$ '000	Assets under construction \$ '000	Total ferries \$ '000	Total property, plant and equipment \$ '000
<b>At 30 June 2021</b>						
At fair value – Gross carrying amount	22,530	5,508	311,920	935	312,855	340,893
Accumulated depreciation and impairment	(13,462)	(1,556)	(243,617)	-	(243,617)	(258,635)
<b>Net carrying amount</b>	<b>9,068</b>	<b>3,952</b>	<b>68,303</b>	<b>935</b>	<b>69,238</b>	<b>82,258</b>
<b>At 30 June 2020</b>						
At fair value – Gross carrying amount	22,530	5,508	298,465	1,636	300,101	328,139
Accumulated depreciation and impairment	(13,029)	(1,372)	(236,106)	-	(236,106)	(250,507)
<b>Net carrying amount</b>	<b>9,501</b>	<b>4,136</b>	<b>62,359</b>	<b>1,636</b>	<b>63,995</b>	<b>77,632</b>



**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**7. Property, plant and equipment (cont'd)**

**(b) Reconciliation of total property, plant and equipment**

Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

<b>At 30 June 2021</b>		<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Ferries</b>	<b>Assets under construction</b>	<b>Total ferries</b>	<b>Total property, plant and equipment</b>
	<b>Notes</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Net carrying amount at start of year</b>		<b>9,501</b>	<b>4,136</b>	<b>62,359</b>	<b>1,636</b>	<b>63,995</b>	<b>77,632</b>
Additions		-	-	10,078	784	10,862	10,862
Major periodic maintenance additions		-	-	1,741	151	1,892	1,892
Reclassification between PPE classes		-	-	1,636	(1,636)	-	-
Impairment reversals on ferries assets	4	-	-	2,344	-	2,344	2,344
Depreciation expense	2(b)	(433)	(184)	(9,855)	-	(9,855)	(10,472)
<b>Net carrying amount at 30 June</b>		<b>9,068</b>	<b>3,952</b>	<b>68,303</b>	<b>935</b>	<b>69,238</b>	<b>82,258</b>

<b>At 30 June 2020</b>		<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Ferries</b>	<b>Assets under construction</b>	<b>Total ferries</b>	<b>Total property, plant and equipment</b>
	<b>Notes</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Net carrying amount at start of year</b>		<b>8,547</b>	<b>4,319</b>	<b>71,454</b>	<b>137</b>	<b>71,591</b>	<b>84,457</b>
Additions		-	-	1,494	1,481	2,975	2,975
Major periodic maintenance additions		-	-	1,664	155	1,819	1,819
Reclassification between PPE classes		-	-	137	(137)	-	-
Depreciation expense	2(b)	(407)	(183)	(12,390)	-	(12,390)	(12,980)
Revaluation increment recognised in equity		1,361	-	-	-	-	1,361
<b>Net carrying amount at 30 June</b>		<b>9,501</b>	<b>4,136</b>	<b>62,359</b>	<b>1,636</b>	<b>63,995</b>	<b>77,632</b>

## Sydney Ferries Notes to the financial statements

for the year ended 30 June 2021

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### 7. Property, plant and equipment (cont'd)

#### (b) Reconciliation of total property, plant and equipment (cont'd)

The net carrying amount of service concession assets included in property, plant and equipment is \$82.3 million as at 30 June 2021 (30 June 2020: \$77.6 million). This includes land and buildings \$9.1 million (30 June 2020: \$9.5 million), plant and equipment \$4.0 million (30 June 2020: \$4.1 million) and ferries \$ 69.2 million (30 June 2020: \$64.0 million). Note 1(i) details changes in the entity's accounting policies and a summary of impacts on the first time adoption.

#### Estimates:

Management assesses whether there is any indication that an asset may be impaired based on the estimated usage of the assets and other factors at each reporting date.

#### Valuations:

(a) Property, plant and equipment were revalued in accordance with the basis of valuation set out below.

(b) The following non-current assets were independently valued by registered valuers:

Class of assets	Date of valuation	Registered valuers
Land and buildings	30-Jun-20	Preston Rowe Paterson Sydney Pty. Ltd.
Ferries	30-Jun-18	Rodney Hyman Asset Services Pty. Ltd.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**7. Property, plant and equipment (cont'd)**

**(c) Service concession assets**

Sydney Ferries has adopted AASB 1059 from 1 July 2020. However, comparatives for the year ended 30 June 2020 have been adjusted retrospectively to reflect AASB 1059. Note 1(i) details changes in the entity's accounting policies and a summary of impacts on the first time adoption. This note provides disclosures required under the new accounting standard and relates to the entity's service concession arrangements in place during the current year.

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

Based on Sydney Ferries' assessment, the following arrangement falls within the scope of AASB 1059:

<b>Description</b>	<b>Service concession arrangement</b>
Name & description of the SCA	Ferry system contract (contract to operate ferry services in Sydney)
Period of the arrangement	9 years with options for termination at year 5 and at year 8 at TfNSW's discretion
Terms of the arrangement	The private operator uses ferries and other assets owned by Sydney Ferries to provide ferry services to public commuters.  The main service contract is entered into between the operator and TfNSW. Sydney Ferries (as the asset owner) has entered into leases with the operator for the existing fleet and shipyard.
Rights and obligations	The operator is responsible for the provision of end-to-end ferry services including planning, managing and operating Sydney Ferries services on Sydney Harbour and along the Parramatta River.  The Operator will: <ul style="list-style-type: none"> <li>a) Plan and schedule ferry services, subject to TfNSW guidelines and oversight;</li> <li>b) Deliver ferry services for customers;</li> <li>c) Maintain the leased fleet, Balmain Shipyard and other infrastructure; and</li> <li>d) Hand back all leased assets at the end of term at the required standard.</li> </ul> Sydney Ferries is responsible for providing the operator with access to the core assets to provide ferry services.
Changes in arrangements occurred during the year ended 30 June 2020	Transdev (formerly operating as Harbour City Ferries) was awarded the contract to continue operating ferry services in Sydney with effect from 28 July 2019. Prior to that, the ferry system contract was operated by Harbour City Ferries on substantially the same terms, and there was no impact to Sydney Ferries assessment of arrangements that fall within the scope of AASB 1059 in the year ended 30 June 2020.
Changes in arrangements occurred during the year ended 30 June 2021	None

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**7. Property, plant and equipment (cont'd)**

**Recognition and measurement**

**(i) Acquisition of assets and capitalisation threshold**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Sydney Ferries. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash equivalent. The deferred payment amount is effectively discounted at an asset-specific rate.

Property, plant and equipment costing \$5,000 or more individually and having a minimum expected useful life of one year or more is capitalised.

Major spares purchased specifically for particular assets or class of assets are, at the time of acquisition, included in the cost of the assets and depreciated accordingly.

**(ii) Service concession assets – property, plant and equipment**

The carrying amount of service concession assets included within property, plant and equipment are set out below. The service concession assets are in relation to the Ferry system contract detailed above (note 7(c)).

	Land and buildings \$ '000	Plant and equipment \$'000	Ferries \$ '000	Assets under construction \$ '000	Total ferries \$ '000	Total property, plant and equipment \$ '000
<b>At 30 June 2021</b>						
Net carrying amount	9,068	3,952	68,303	935	69,238	82,258
<b>At 30 June 2020</b>						
Net carrying amount	9,501	4,136	62,359	1,636	63,995	77,632

**(a) Initial recognition**

For arrangements within the scope of AASB 1059, Sydney Ferries recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of Sydney Ferries, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

**(b) Subsequent to initial recognition**

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment*, and AASB 136 *Impairment of Assets*.

## Sydney Ferries Notes to the financial statements

for the year ended 30 June 2021

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### 7. Property, plant and equipment (cont'd)

#### Recognition and measurement (cont'd)

##### (ii) Service concession assets – property, plant and equipment (cont'd)

##### (c) At the end of the arrangement

At the end of the service concession arrangement:

- Sydney Ferries accounts for the asset in accordance with other Australian Accounting Standards (AAS), with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 116.

##### (iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP14-01). 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.

Current replacement cost of property, plant and equipment is based on a market participants' perspective, using valuation techniques that maximise relevant observable inputs and minimise unobservable inputs. Refer to Note 10 for further information regarding fair value.

Sydney Ferries revalue land and buildings at least once every three years and each other class of property, plant and equipment at least five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last comprehensive revaluation of ferries was completed on 30 June 2018; comprehensive revaluations of freehold land, buildings and improvements were undertaken on 30 June 2020.

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ materially from carrying value. Generally, an interim revaluation is performed by management if the cumulative changes in indicators/indices are less than 20%. 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.

## **7. Property, plant and equipment (cont'd)**

### **Recognition and measurement (cont'd)**

#### **(iii) Revaluation of property, plant and equipment (cont'd)**

Revaluation decrements are recognised immediately as a loss in the net result, except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of assets, they are debited directly to the asset revaluation surplus.

As a not-for-profit reporting entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation surplus in respect of that asset is transferred to accumulated funds.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

The current replacement cost is used to revalue specialised buildings (designed for specific limited purposes), infrastructure systems and certain plant and equipment. Current replacement cost for these types of assets is based on "incremental optimised replacement cost". Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components.

For vessels which are specialised assets, current replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provided similar economic benefits.

Land is revalued used using the market approach. The market approach is consistent with the current replacement cost approach to land measurement, as the market approach represents the amount a buyer would pay, in the market, to replace the service potential of the asset.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated. The accumulated depreciation is restated proportionately with the change in the gross carrying amount so that the carrying amount of the asset after revaluation equals its revalued amount. In all other cases the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset.

#### **(iv) 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.

#### **(v) Impairment of property, plant and equipment**

In respect of a not-for-profit entity, value in use is the current replacement cost. Hence an impairment loss is unlikely to arise on any of Sydney Ferries' assets because the carrying amount (usually optimised replacement cost) is unlikely to exceed the recoverable amount. For vessels (which are specialised assets) held for sale, an impairment loss would arise when they are valued at market value and not disposed of in the same financial year.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**7. Property, plant and equipment (cont'd)**

**Recognition and measurement (cont'd)**

**(v) Impairment of property, plant and equipment (cont'd)**

Notwithstanding this, Sydney Ferries reviews the carrying values of major assets for objective evidence of impairment. Where such an indication exists, an estimate of the recoverable amount is made. An impairment loss is recognised in the Statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount unless the asset has been revalued in which case the impairment loss is treated as a revaluation decrease. When the impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(vi) Depreciation of property, plant and equipment**

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to Sydney Ferries. Property, plant and equipment, excluding freehold land and work in progress, are depreciated over their estimated useful lives as follows:

<b>Asset Class</b>	<b>Life</b>	<b>Method</b>
Freehold buildings	40 Yrs	Straight Line
Plant and equipment	3 to 30 Yrs	Straight Line
Ferries	20 to 50 Yrs	Straight Line

**(vii) 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**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Plant and equipment	3,354	3,731
Intangibles	1,845	2,177
Leasehold improvements	9,078	9,898
Inventory (including fuel)	9,403	9,699
<b>Right to receive assets</b>	<b>23,680</b>	<b>25,505</b>
<b>Computer software</b>	<b>2,486</b>	<b>898</b>
<b>Work in progress</b>	<b>225</b>	<b>697</b>
<b>Total Intangible assets</b>	<b>26,391</b>	<b>27,100</b>

The contract with Transdev for the provision of ferry services provides for assets to be returned to Sydney Ferries at the end of the contract. Those assets have been brought to account as a right to receive intangible asset.

Reconciliation of carrying amounts of each class of intangible at the beginning and at the end of the reporting period are set out below:

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**8. Intangible assets (cont'd)**

	Right to receive assets \$'000	Computer software \$'000	Work in progress \$'000	Total \$'000
Cost (gross carrying amount)	34,106	3,901	225	38,232
Accumulated amortisation and impairment	(10,426)	(1,415)	-	(11,841)
<b>Net carrying amount at 30 June 2021</b>	<b>23,680</b>	<b>2,486</b>	<b>225</b>	<b>26,391</b>
Cost (gross carrying amount)	34,106	1,564	697	36,367
Accumulated amortisation and impairment	(8,601)	(666)	-	(9,267)
<b>Net carrying amount at 30 June 2020</b>	<b>25,505</b>	<b>898</b>	<b>697</b>	<b>27,100</b>

**Reconciliation**

	Notes	Right to receive assets \$'000	Computer software \$'000	Work in progress \$'000	Total \$'000
Net carrying amount at 1st July 2020		25,505	898	697	27,100
Additions		-	1,640	225	1,865
Reclassifications between PPE classes		-	697	(697)	-
Impairment reversals/(losses)	4	(1,825)	-	-	(1,825)
Amortisation	2(b)	-	(749)	-	(749)
<b>Net carrying amount at 30 June 2021</b>		<b>23,680</b>	<b>2,486</b>	<b>225</b>	<b>26,391</b>
Net carrying amount at 1st July 2019		23,835	-	-	23,835
Additions		-	1,077	697	1,774
Impairment reversals/(losses)	4	1,670	-	-	1,670
Amortisation	2(b)	-	(179)	-	(179)
<b>Net carrying amount at 30 June 2020</b>		<b>25,505</b>	<b>898</b>	<b>697</b>	<b>27,100</b>

The net carrying amount of service concession assets included in intangibles is \$26.4 million as at 30 June 2021 (30 June 2020: \$27.1 million). This includes right to receive assets \$23.7 million (30 June 2020: \$25.5 million), computer software \$2.5 million (30 June 2020: \$0.9 million) and work in progress \$0.2 million (30 June 2020: \$0.7 million). Sydney Ferries' only service concession arrangement is described in note 7(c).

**Recognition and measurement**

**(i) Right to receive**

Sydney Ferries recognises the right to receive ferry spare parts, inventory and fuel stocks that Transdev, under its contract, must return at the end of that contract. The ferry systems contract (refer note 7(c)) requires that all assets used in the provision of the ferry services are maintained in a condition that enables the services to be delivered throughout the contract, including the maintenance of a fit for purpose spares pool.

Transdev advises Sydney Ferries of the value of the right to receive assets as at 30 June each year based on the amount and relevant values of fuel and each inventory item at the reporting date. Given the regular maintenance and replenishment of these assets, their carrying value is broadly equivalent to the amount that would be required to replace the service capacity of those assets (i.e. current replacement cost). The advice from Transdev is used for the purpose of assessing impairment to the right to receive assets as at 30 June each year.

**(ii) Computer software**

Computer software is specialised ferry software that facilitates receiving, storing and processing real-time ferry service and customer information. Computer software, being service concession assets (note 8(v)), are initially recognised and subsequently measured at current replacement cost. Given the useful life and specialised nature of the computer software, the depreciated cost is broadly equivalent to current replacement cost. Computer software is amortised using the straight-line method over a period of three years.



**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**8. Intangible assets (cont'd)**

**Recognition and measurement (cont'd)**

**(iii) Work in progress**

Work in progress relates to new software being developed to improve ferry service performance reporting and facilitate real-time processing of ferry service information. Costs relating to intangibles that are under construction or are otherwise incomplete are shown in the statement of financial position as work in progress and are not amortised until the assets are brought into service.

**(iv) Impairment of intangibles**

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

**(v) Service concession assets – intangibles**

The carrying amount of service concession assets included within intangibles are set out below. The service concession assets are in relation to the Ferry system contract detailed above (note 7(c)).

	Right to receive assets \$'000	Computer software \$'000	Work in progress \$'000	Total \$'000
<b>At 30 June 2021</b>				
Net carrying amount	23,680	2,486	225	26,391
<b>At 30 June 2020</b>				
Net carrying amount	25,505	898	697	27,100

**(a) Initial recognition**

For arrangements within the scope of AASB 1059, Sydney Ferries recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of Sydney Ferries, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

**(b) Subsequent to initial recognition**

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 138 *Intangible assets* (AASB 138), and AASB 136 *Impairment of Assets*.

**(c) At the end of the arrangement**

At the end of the service concession arrangement:

- Sydney Ferries accounts for the asset in accordance with other AAS, with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 138.

**Sydney Ferries**  
**Notes to the financial statements**  
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**9. Leases**

**Entity as a lessee**

Sydney Ferries leases property from TfNSW. The lease contract is for a fixed periods of 20 years with no extension options. The lease agreement does not impose any covenants, and the leased assets may not be used as security for borrowing purposes. Sydney Ferries does not provide residual value guarantees in relation to leases.

**(a) Right of use assets under leases**

The following table presents right of use assets that do not meet the definition of investment property.

	Right of use land \$'000	Total \$'000
<b>Balance at 1 July 2020</b>	566	566
Depreciation expense	(86)	(86)
<b>Balance at 30 June 2021</b>	<b>480</b>	<b>480</b>
<b>Balance at 1 July 2019</b>	-	-
Net adjustment on initial application of AASB 16	652	652
Depreciation expense	(86)	(86)
<b>Balance at 30 June 2020</b>	<b>566</b>	<b>566</b>

The net carrying amount of service concession assets included in right of use assets under leases is \$0.5 million as at 30 June 2021 (30 June 2020: \$0.6 million). Sydney Ferries' only service concession arrangement is described in note 7(c).

**(b) Lease liabilities**

The following table presents liabilities under leases.

	2021 \$'000	2020 \$'000
<b>Balance at 1 July</b>	583	-
Additions	-	652
Interest expenses	11	12
Payments	(85)	(81)
<b>Balance at 30 June</b>	<b>509</b>	<b>583</b>

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

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**9. Leases (cont'd)**

**Entity as a lessee (cont'd)**

**(c) Comprehensive income**

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June in respect of leases where Sydney Ferries is the lessee:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Depreciation expense of right of use assets	86	86
Interest expense on lease liabilities	11	12
<b>Total amount recognised in the statement of comprehensive income</b>	<b>97</b>	<b>98</b>

Sydney Ferries had total cash outflows for leases of \$85K in the year ended 30 June 2021 (30 June 2020: \$81K).

**Recognition and measurement**

Sydney Ferries assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Sydney Ferries recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

**i) Right of use assets**

Sydney Ferries recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right of use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings: 20 years

The right of use assets are subject to impairment. Sydney Ferries assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Sydney Ferries estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

## 9. Leases (cont'd)

### Entity as a lessee (cont'd)

#### Recognition and measurement (cont'd)

##### ii) Service concession assets – right of use assets

###### (a) Initial recognition

As part of the Ferry system service concession arrangement Transdev has been granted access to the property assets leased from TfNSW. For these assets in scope of AASB 1059, Sydney Ferries recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of Sydney Ferries, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

###### (b) Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 16 *Leases* (AASB 16) and AASB 136 *Impairment of Assets*.

###### (c) At the end of the arrangement

At the end of the service concession arrangement:

- Sydney Ferries accounts for the asset in accordance with other AAS, with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 16.

##### iii) Lease liabilities

At the commencement date of the lease, Sydney Ferries recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by Sydney Ferries; and
- payments of penalties for terminating the lease, if the lease term reflects Sydney Ferries exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**9. Leases (cont'd)**

**Entity as a lessee (cont'd)**

**Recognition and measurement (cont'd)**

**iii) Lease liabilities (cont'd)**

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Sydney Ferries' lease liabilities are included in borrowings.

**10. Fair value measurement of non-financial assets**

**(a) Fair value hierarchy**

Fair value measurements recognised in the balance sheet are categorised into the following levels as at 30 June.

30 June 2021		Level 1	Level 2	Level 3	Property, plant and equipment
	Notes	\$'000	\$'000	\$'000	\$'000
Land and buildings	7	-	-	9,068	9,068
Ferries	7	-	-	68,303	68,303
<b>Property, plant and equipment</b>		-	-	<b>77,371</b>	<b>77,371</b>

30 June 2020		Level 1	Level 2	Level 3	Property, plant and equipment
	Notes	\$'000	\$'000	\$'000	\$'000
Land and buildings	7	-	-	9,501	9,501
Ferries	7	-	-	62,359	62,359
<b>Property, plant and equipment</b>		-	-	<b>71,860</b>	<b>71,860</b>

**Recognition and measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of Sydney Ferries' accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, Sydney Ferries categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices in active markets for identical assets / liabilities that Sydney Ferries can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

## **10. Fair value measurement of non-financial assets (cont'd)**

### **(a) Fair value hierarchy (cont'd)**

#### **Recognition and measurement (cont'd)**

Sydney Ferries recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 19 for disclosures regarding fair value measurements of financial assets.

### **(b) Valuation processes**

Sydney Ferries obtains independent valuations for its land and building assets at least every 3 years and for its other non-financial assets at least every 5 years.

Sydney Ferries engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of land and buildings was conducted by Preston Rowe Paterson Sydney Pty. Ltd. for 30 June 2020. A comprehensive valuation of ferries was conducted by Rodney Hyman Asset Services Pty Ltd (RHAS) at 30 June 2018, using an optimised replacement cost approach.

### **(c) Valuation techniques and input**

At the end of each reporting period, Sydney Ferries updates its assessment of the fair value of each category of non-financial asset, taking into account the most recent independent valuation. Sydney Ferries considers information from a variety of other sources and uses specific valuation techniques including:

- current prices in an active market for land assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences
- current replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits
- construction costs incurred by the entity
- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions

These valuation techniques maximise the use of observable inputs where available and rely as little as possible on entity or asset specific estimates. The level in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the measurement in its entirety. If significant inputs required to measure fair value of an asset are observable, the asset is included in level 2 of the fair value hierarchy. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3 of the fair value hierarchy. All resulting fair value estimates for non-financial assets are included in level 3.

The main level 2 and level 3 inputs used by the valuers for property, plant and equipment are as follows:

- Land – rate range per square metre of land area is determined by the external valuer using the comparable commercial land sales evidence, which resulted in the rate range, then adjusted for the specific attributes of the subject land, including its location adjacent to a residential precinct, difficult heavy vehicle access, proximity to the waterfront, access to harbour views, shape, topography and other factors. The mid-point of such range is used to calculate the value of the land by multiplying the land area in square meter.
- Building – replacement cost of buildings has been used to work out the value, with reference to Rawlinsons Australian Construction Handbook 2020 ed building cost guide, and then compared with 2017 assessment (most recent). The figures then are adjusted with building cost inflation applicable. The current replacement cost with reference to the straight-line method of depreciation was then taken in account, where appropriate estimates of each building assets useful life and remaining useful life were considered.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**10. Fair value measurement of non-financial assets (cont'd)**

**Recognition and measurement (cont'd)**

**(c) Valuation techniques and input (cont'd)**

- Vessels – optimised replacement cost, including delivery and professional fees were estimated by RHAS valuers based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the above criteria. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.

**(d) Reconciliation of recurring Level 3 fair value measurements**

	Land and buildings \$ '000	Ferries \$ '000	Total \$ '000
Fair value at start of year	9,501	62,359	71,860
Additions	-	13,455	13,455
Impairment reversals/(losses) on ferries assets	-	2,344	2,344
Depreciation	(433)	(9,855)	(10,288)
<b>Fair value as at 30 June 2021</b>	<b>9,068</b>	<b>68,303</b>	<b>77,371</b>
Fair value at start of year	8,547	71,454	80,001
Additions	-	3,295	3,295
Revaluation increment recognised in other comprehensive income	1,361	-	1,361
Depreciation	(407)	(12,390)	(12,797)
<b>Fair value as at 30 June 2020</b>	<b>9,501</b>	<b>62,359</b>	<b>71,860</b>

**11. Payables**

	2021 \$'000	2020 \$'000
Accrued expenses	4,847	4,523
Other creditors	89	69
<b>Current payables</b>	<b>4,936</b>	<b>4,592</b>

**Recognition and measurement**

Payables represent liabilities for goods and services provided to the entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

**12. Borrowings**

	2021 \$'000	2020 \$'000
Lease liabilities	79	74
<b>Current borrowings</b>	<b>79</b>	<b>74</b>
Lease liabilities (non-current)	430	509
<b>Non-current borrowings</b>	<b>430</b>	<b>509</b>

## Sydney Ferries

### Notes to the financial statements

for the year ended 30 June 2021

#### 12. Borrowings (cont'd)

##### Repayment of borrowings

	2021 \$'000	2020 \$'000
Not later than one year	79	74
Later than one year and not later than five years	369	347
Later than five years	61	162
<b>Repayment of borrowings</b>	<b>509</b>	<b>583</b>

##### Recognition and measurement

For recognition and measurement of lease liabilities please refer to Note 9.

#### 13. Other provisions

	2021 \$'000	2020 \$'000
Provision for disposal of property, plant and equipment	1,537	637
<b>Current provisions</b>	<b>1,537</b>	<b>637</b>

The provision for disposal of property, plant and equipment reflects the estimated costs of disposal of six ferries (2020: two ferries). Two of these vessels are no longer in service and the other four vessels will be decommissioned in the next twelve months. The disposal processes are expected to be completed within 12 months.

##### Movement in provisions

	2021 \$'000	2020 \$'000
Carrying amount at start of year	637	-
Additions	1,537	637
Payments	(637)	-
<b>Net carrying amount at 30 June</b>	<b>1,537</b>	<b>637</b>

##### Recognition and measurement

Other provisions exist when Sydney Ferries has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

#### 14. Other liabilities

	2021 \$'000	2020 \$'000
Liability for former employees' leave entitlements	2,023	2,274
<b>Current other liabilities</b>	<b>2,023</b>	<b>2,274</b>

##### Recognition and measurement

##### Liability for former employees' leave entitlements

Other liabilities include amounts brought to account for the leave amounts owing to Transdev for former Sydney Ferries employees, not including superannuation for leave taken in service.

Liabilities for leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.



## Sydney Ferries Notes to the financial statements

for the year ended 30 June 2021

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### 15. Equity and reserves

#### (i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with Sydney Ferries policy on the revaluation of property, plant and equipment as discussed in note 7. Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve).

#### (ii) Accumulated funds

The category "Accumulated funds" includes all current and prior period retained funds.

### 16. Commitments

	2021 \$ '000	2020 \$ '000
<b>Capital commitments</b>		
Aggregate capital commitments for property, plant & equipment contracted for at reporting date and not provided for:		
Not later than one year	22,370	11,523
Later than one year and not later than five years	19,934	-
<b>Total (including GST)</b>	<b>42,304</b>	<b>11,523</b>

Net GST payable of \$3.8 million (2020: \$0.75 million) to the Australian Taxation Office is included above.

### 17. Contingent liabilities and contingent assets

Contingent liabilities represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is not remote.

Contractual and other claims against Sydney Ferries arise in the ordinary course of operations. The existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably. Sydney Ferries had no contingent liabilities as at 30 June 2021 and 30 June 2020.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Sydney Ferries had no contingent assets as at 30 June 2021 and 30 June 2020.

**Sydney Ferries**  
**Notes to the financial statements**

for the year ended 30 June 2021

**18. Reconciliation of operating result to net cash from operating activities**

**(a) Reconciliation of operating result to net cash from operating activities**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash inflows / (outflows) from operating activities	3,594	6,752
Depreciation and amortisation	(11,307)	(13,245)
Other non-cash items	2,404	5,677
Impairment reversals/(losses)	519	1,670
(Decrease) / increase in receivable	583	(364)
(Increase) / decrease in payables and provisions	(1,244)	(3,449)
(Increase) / decrease in other liabilities	251	383
<b>Reconciliation to net result</b>	<b>(5,200)</b>	<b>(2,576)</b>

**(b) Non-cash financing and investing activities**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Impairment reversals on ferries assets	2,344	-
Major periodic maintenance work by Transdev	1,892	1,819
<b>Non-cash investing activities</b>	<b>4,236</b>	<b>1,819</b>
<b>Non-cash financing and investing activities</b>	<b>4,236</b>	<b>1,819</b>

# Sydney Ferries

## Notes to the financial statements

for the year ended 30 June 2021

### 19. Financial instruments

Sydney Ferries' principal financial instruments are outlined below. These financial instruments arise directly from Sydney Ferries' operations or are required to finance Sydney Ferries' operations. Sydney Ferries does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Sydney Ferries' main risks arising from financial instruments are outlined below, together with the Sydney Ferries' objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

Risk management policies are established to identify and analyse the risks faced by Sydney Ferries, to set risk limits and control and monitor risks. Compliance with policies is reviewed by Management on a continuous basis. There have been no changes to Sydney Ferries' exposure to credit, liquidity, market and interest rate risk or objectives, policies and processes for managing the risk and the methods used to measure the risks from the prior year.

#### (a) Financial instrument categories

	Note	Category	Carrying amount 2021 \$'000	Carrying amount 2020 \$'000
<b>Financial assets</b>				
<b>Class:</b>				
Cash and cash equivalents	5	N/A	42,283	50,978
			<b>42,283</b>	<b>50,978</b>
<b>Financial liabilities</b>				
<b>Class:</b>				
Payables	11	Financial liabilities measured at amortised cost*	4,418	4,215
Borrowings	12	Financial liabilities measured at amortised cost	509	583
Other liabilities	14	Financial liabilities measured at amortised cost	2,023	2,274
			<b>6,950</b>	<b>7,072</b>

\*Excludes statutory payables and unearned revenue which are not within the scope of AASB 7.

#### Recognition and measurement

##### De-recognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the contractual rights to the cash flows from the financial assets expire; or if Sydney Ferries transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:

- substantially all the risks and rewards have been transferred; 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.

## Sydney Ferries

### Notes to the financial statements

for the year ended 30 June 2021

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#### 19. Financial instruments (cont'd)

##### (b) Credit risk

Credit risk arises when there is the possibility of Sydney Ferries' debtors defaulting on their contractual obligations, resulting in a financial loss to Sydney Ferries. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of Sydney Ferries, including cash and cash equivalents and receivables and authority deposits. No collateral is held by Sydney Ferries. Sydney Ferries has not granted any financial guarantees.

Credit risk associated with Sydney Ferries financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

##### (i) Cash

Cash comprises cash on hand and bank balances within the NSW Treasury banking systems. The interest rate applied is the Reserve Bank of Australia target cash rate.

##### (ii) Receivables

At the end of the reporting period there were no significant concentrations of credit risk. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. Sydney Ferries' maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the statement of financial position.

	Government \$'000	Other \$'000	Total \$'000
<b>2021</b>			
Receivables	-	-	-
<b>Total receivables</b>	-	-	-
<b>2020</b>			
Receivables	-	-	-
<b>Total receivables</b>	-	-	-

At 30 June 2021, Sydney Ferries had nil trade debtors (2020: nil) that were neither past due nor impaired. There are no debtors whose terms have been re-negotiated.

##### (c) Liquidity risk

Liquidity risk is the risk that Sydney Ferries will be unable to meet its payment obligations when they fall due. Sydney Ferries continuously manages risk through monitoring cash flows and debt maturities and planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

No assets have been pledged as collateral. Sydney Ferries' exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12 *Payments of Accounts*. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**19. Financial instruments (cont'd)**

**(c) Liquidity risk (cont'd)**

The table below summarises the maturity profile of Sydney Ferries' financial liabilities, together with the interest rate exposure.

**(i) Maturity analysis and interest rate exposure of financial liabilities**

	Interest rate exposure				Maturity dates			
	Weighted average effective int. rate (%)	Nominal amount <sup>1</sup>	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2021								
Accrued expenses	-	4,418	-	-	4,418	4,418	-	-
Borrowings	2.00	538	-	-	538	87	389	61
Other liabilities	-	2,023	-	-	2,023	2,023	-	-
		6,979	-	-	6,979	6,529	389	61
2020								
Accrued expenses	-	4,215	-	-	4,215	4,215	-	-
Borrowings	2.00	623	-	-	623	85	374	164
Other liabilities	-	2,274	-	-	2,274	2,274	-	-
		7,112	-	-	7,112	6,574	374	164

1. Nominal amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which Sydney Ferries can be required to pay. Therefore the amounts disclosed may not reconcile to the Statement of financial position.

**Sydney Ferries**  
**Notes to the financial statements**  
for the year ended 30 June 2021

**19. Financial instruments (cont'd)**

**(d) Fair value**

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, largely due to the short-term nature of many of the financial instruments.

**(e) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Sydney Ferries has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in the interest rate is outlined in the information below. A reasonably possible change in the interest rate has been determined after taking into account the economic environment in which Sydney Ferries operates and the time frame for the assessment (that is, until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the end of the reporting period. The analysis is performed on the same basis as for 2020. 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**

2021	Carrying amount \$'000	-1%		+1%	
		Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and cash equivalents	42,283	(423)	(423)	423	(423)
<b>Financial liabilities</b>					
Borrowings	509	(5)	(5)	5	(5)
<b>2020</b>	<b>Carrying amount</b>	<b>-1%</b>	<b>Equity</b>	<b>+1%</b>	<b>Equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>					
Cash and cash equivalents	50,978	(510)	(510)	510	(510)
<b>Financial liabilities</b>					
Borrowings	583	(6)	(6)	6	(6)

## **20. Related party disclosure**

### **(a) Key management personnel compensation**

Sydney Ferries' key management personnel compensation is borne by TfNSW.

### **(b) Transactions with government related entities during the financial year**

During the 2021 financial year, Sydney Ferries transacted with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Payments (capital and operational expenditure) made to TfNSW
- Interest revenue earned from the Treasury Banking System
- Audit fee payments made to the Audit Office of NSW.

## **21. After balance date events**

The COVID-19 pandemic is ongoing and continues to impact the operations of Sydney Ferries. Sydney Ferries has assessed that there is no material impact on the operating result and the carrying values of assets and liabilities as at 30 June 2021. The on-going pandemic continues to significantly impact revenue and expenses. The financial impact is anticipated to be funded by Government.

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 by the Chief Executive, the Statement of comprehensive income for the year ended 30 June 2021, the Statement of financial position as at 30 June 2021, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly Sydney Ferries' financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of Sydney Ferries in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief



Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing Sydney Ferries' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that Sydney Ferries carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Somaiya Ahmed  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

7 October 2021  
SYDNEY

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