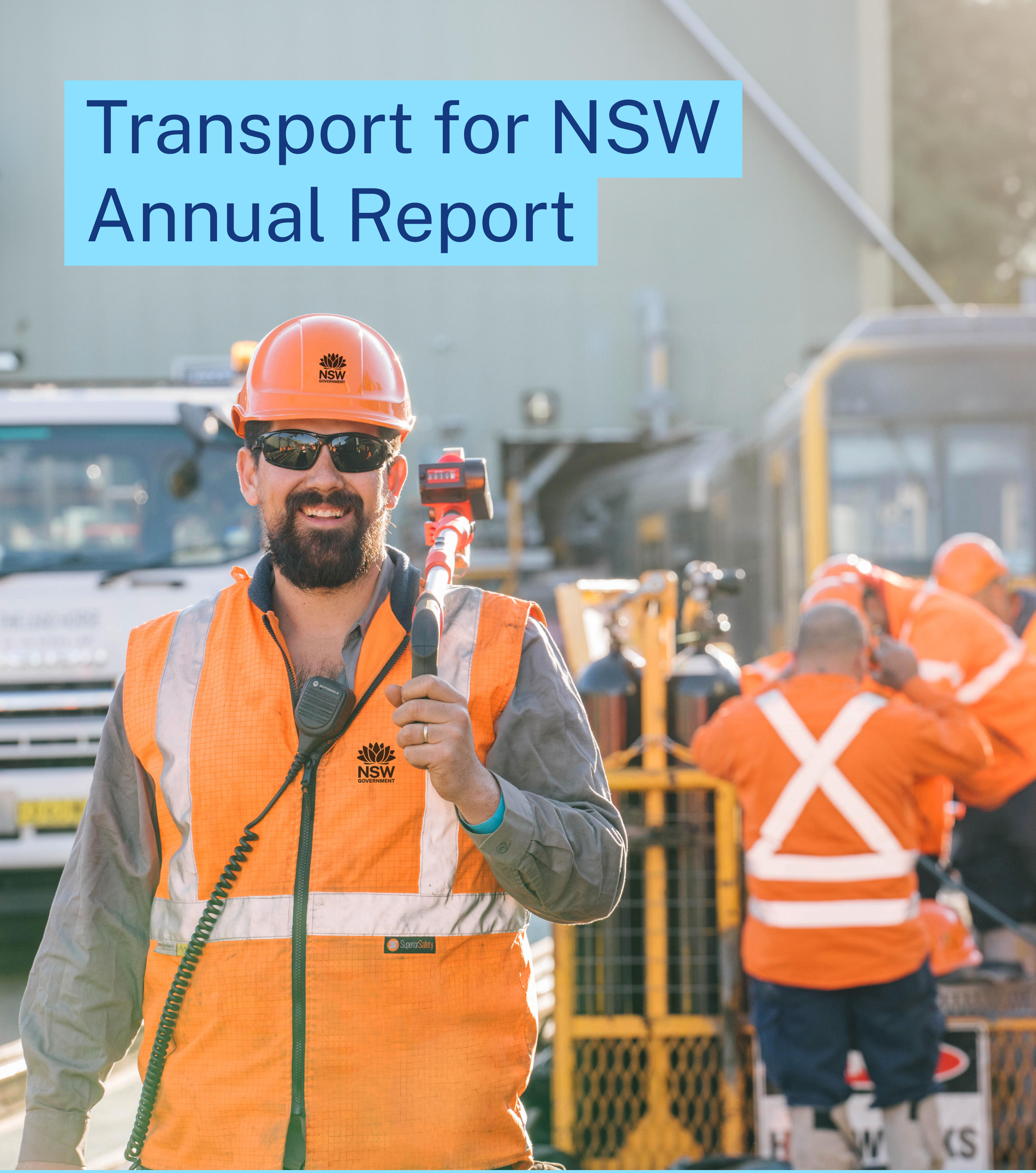
Transport for NSW Annual Report



Volume 2

2022–23

transport.nsw.gov.au

Contents

Transport for NSW Annual Report – Volume 2

Overview

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

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

Accessibility

If you experience difficulty accessing this content, please contact Elise Naylor, Director Financial Reporting on tel: 02 8202 3146 or at elise.naylor@transport.nsw.gov.au.

2022–23

Department of Transport

Consolidated Annual Financial Statements
for the year ended 30 June 2023

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Department of Transport
Statement by the Secretary
for the year ended 30 June 2023

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 2023, 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.

Josh Murray
Secretary

Date: 10 November 2023

Department of Transport
Statement of comprehensive income
for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 $'000	Consolidated Actual 2022 $'000	Parent Actual 2023 $'000	Parent Actual 2022 $'000
Expenses excluding losses					
Operating expenses					
Employee related expenses	2(a)	3,393,521	3,144,556	64,616	12,437
Other operating expenses	2(b)	4,846,914	4,208,710	9,389	5,601
Major rail project expense	2(d)	2,032,670	2,400,673	-	-
Depreciation and amortisation	2(e)	3,894,417	3,761,324	-	-
Grants and subsidies	2(f)	4,080,953	1,953,470	24,121,342	67,820
Finance costs	2(g)	476,895	437,109	-	-
Other expenses	2(h)	1,855,001	1,809,345	-	-
Total expenses excluding losses		**20,580,371**	**17,715,187**	**24,195,347**	**85,858**
Revenue					
Appropriation	3(a)	24,132,474	22,579,248	24,132,474	60,453
Sale of goods and services from contracts with customers	3(b)	1,513,992	1,143,606	-	-
Investment revenue	3(c)	209,034	144,077	-	-
Retained taxes, fees and fines	3(d)	17,327	12,857	-	-
Grants and contributions	3(e)	2,514,231	2,626,204	4,995	19,337
Acceptance by the Crown of employee benefits and other liabilities	3(f)	71,317	7,918	2,472	(1,691)
Major rail project revenue	3(g)	2,032,670	2,400,673	-	-
Personnel service revenue	3(h)	54,407	12,058	55,883	12,782
Other revenue	3(i)	610,722	614,104	-	-
Total revenue		**31,156,174**	**29,540,745**	**24,195,824**	**90,881**
Gains/(losses) on disposal	4	(25,409)	(56,977)	-	-
Other gains/(losses)	5	(968,730)	(582,693)	-	-
Impairment reversal/(losses) on financial assets	8	(4,742)	(2,011)	-	-
Net result		**9,576,922**	**11,183,877**	**477**	**5,023**
Other comprehensive income					
Items that may be reclassified subsequently to net result					
Net gains/(losses) in commodity swaps and foreign exchange		(9,133)	7,310	-	-
Items that will not be reclassified to net result					
Changes in revaluation surplus of property, plant and equipment	14	22,381,489	9,553,108	-	-
Remeasurement of defined benefit superannuation schemes	20	65,101	317,029	-	-
Total other comprehensive income		**22,437,457**	**9,877,447**	**-**	**-**
Total comprehensive income		**32,014,379**	**21,061,324**	**477**	**5,023**

The accompanying Notes form part of these financial statements.

Department of Transport
Statement of financial position
as at 30 June 2023

	Notes	Consolidated Actual 2023 $'000	Consolidated Actual 2022 $'000	Parent Actual 2023 $'000	Parent Actual 2022 $'000
ASSETS					
Current assets					
Cash and cash equivalents	7	2,828,202	4,222,753	9,239	122
Receivables	8	2,738,734	1,924,908	8,333	13,908
Inventories	10	35,766	29,273	-	-
Financial assets at fair value	11	22,301	11,666	-	-
Non-current assets held for sale	12	67,046	29,693	-	-
Other financial assets	13	9,429	228,467	-	-
Total current assets		**5,701,478**	**6,446,760**	**17,572**	**14,030**
Non-current assets					
Receivables	8	1,394,469	1,126,412	-	-
Inventories	10	33,369	38,319	-	-
Financial assets at fair value	11	82,908	89,344	-	-
Other financial assets	13	689,345	577,162	-	-
Property plant & equipment					
Land and buildings	14	6,941,630	7,177,525	-	-
Plant and equipment	14	4,066,148	3,281,528	-	-
Infrastructure systems	14	200,319,137	167,917,216	-	-
Property, plant and equipment	14	211,326,915	178,376,269	-	-
Right of use assets	15	6,404,379	6,076,785	-	-
Intangible assets	16	1,483,146	1,338,306	-	-
Total non-current assets		**221,414,531**	**187,622,597**	**-**	**-**
Total assets		**227,116,009**	**194,069,357**	**17,572**	**14,030**
LIABILITIES					
Current liabilities					
Payables	18	3,724,891	3,604,080	5,273	2,648
Contract liabilities	9	152,613	94,488	-	-
Borrowings	19	1,377,301	737,098	-	-
Employee benefits	20	931,223	875,480	7,207	6,763
Other provisions	21	343,065	426,168	-	-
Other liabilities	22	994,480	943,341	-	-
Total current liabilities		**7,523,573**	**6,680,655**	**12,480**	**9,411**
Non-current liabilities					
Contract liabilities	9	153,307	120,376	-	-
Borrowings	19	10,427,666	9,885,416	-	-
Employee benefits	20	465,786	537,031	111	115
Other provisions	21	100,212	64,618	-	-
Other liabilities	22	16,447,964	16,795,545	-	-
Total non-current liabilities		**27,594,935**	**27,402,986**	**111**	**115**
Total liabilities		**35,118,508**	**34,083,641**	**12,591**	**9,526**
Net assets		**191,997,501**	**159,985,716**	**4,981**	**4,504**
EQUITY					
Accumulated funds		133,459,572	123,783,999	4,981	4,504
Reserves		58,537,929	36,201,717	-	-
Total equity		**191,997,501**	**159,985,716**	**4,981**	**4,504**

The accompanying Notes form part of these financial statements.

Department of Transport
Statement of changes in equity
for the year ended 30 June 2023

Consolidated	Notes	Accumulated funds $'000	Asset revaluation surplus $'000	Other reserves $'000	Total equity $'000
Balance at 1 July 2022		**123,783,999**	**36,183,580**	**18,137**	**159,985,716**
Net result for the year		**9,576,922**	**-**	**-**	**9,576,922**
Other comprehensive income					
Net losses in commodity swaps and foreign exchange		-	-	(9,133)	(9,133)
Net change in revaluation surplus of property, plant and equipment	14	-	22,381,489	-	22,381,489
Remeasurement of defined benefit superannuation schemes	20	65,101	-	-	65,101
Total other comprehensive income		**65,101**	**22,381,489**	**(9,133)**	**22,437,457**
Total comprehensive income for the year		**9,642,023**	**22,381,489**	**(9,133)**	**32,014,379**
Hedging gains and losses and costs of hedging transferred to property, plant and equipment during the year		-	-	(11,063)	(11,063)
Transactions with owners in their capacity as owners					
Transfers to/(from) reserves to accumulated funds		25,081	(25,081)	-	-
Equity transfers	29(a)	8,469	-	-	8,469
Balance at 30 June 2023		**133,459,572**	**58,539,988**	**(2,059)**	**191,997,501**
Balance at 1 July 2021		112,206,543	26,630,883	10,827	138,848,253
Net result for the year		**11,183,877**	**-**	**-**	**11,183,877**
Other comprehensive income					
Net gains in commodity swaps and foreign exchange		-	-	7,310	7,310
Net change in revaluation surplus of property, plant and equipment	14	-	9,553,108	-	9,553,108
Remeasurement of defined benefit superannuation schemes	20	317,029	-	-	317,029
Total other comprehensive income		**317,029**	**9,553,108**	**7,310**	**9,877,447**
Total comprehensive income for the year		**11,500,906**	**9,553,108**	**7,310**	**21,061,324**
Transactions with owners in their capacity as owners					
Transfers to/(from) reserves to accumulated funds		411	(411)	-	-
Administrative restructures		(519)	-	-	(519)
Equity transfers	29(a)	76,658	-	-	76,658
Balance at 30 June 2022		**123,783,999**	**36,183,580**	**18,137**	**159,985,716**

The accompanying Notes form part of these financial statements.

Department of Transport
Statement of changes in equity
for the year ended 30 June 2023

Parent	Accumulated funds $'000	Total equity $'000
Balance at 1 July 2022	**4,504**	**4,504**
Net result for the year	**477**	**477**
Total comprehensive income for the year	**477**	**477**
Balance at 30 June 2023	**4,981**	**4,981**
Balance at 1 July 2021	**-**	**-**
Net result for the year	**5,023**	**5,023**
Total comprehensive income for the year	**5,023**	**5,023**
Transactions with owners in their capacity as owners		
Administrative restructures	(519)	(519)
Balance at 30 June 2022	**4,504**	**4,504**

The accompanying Notes form part of these financial statements.

Department of Transport
Statement of cash flows
for the year ended 30 June 2023

	Notes	Consolidated Actual 2023 $'000	Consolidated Actual 2022 $'000	Parent Actual 2023 $'000	Parent Actual 2022 $'000
Cash flows from operating activities					
Payments					
Employee related		(3,469,951)	(3,204,726)	(61,351)	(13,558)
Grants and subsidies		(3,712,591)	(1,515,571)	(24,121,342)	(67,820)
Finance costs		(418,285)	(323,512)	-	-
Payments to suppliers		(9,746,334)	(8,149,417)	(7,503)	(10,910)
Total payments		**(17,347,161)**	**(13,193,226)**	**(24,190,196)**	**(92,288)**
Receipts					
Appropriation		24,132,474	22,579,248	24,132,474	60,453
Sale of goods and services		5,010,978	3,885,814	6,197	-
Retained taxes, fees and fines		17,147	12,377	-	-
Interest received		48,669	2,828	-	-
Grants and contributions		1,597,233	2,213,724	4,995	19,337
Personnel services		54,503	11,668	55,647	12,392
Total receipts		**30,861,004**	**28,705,659**	**24,199,313**	**92,182**
Net cash flows from operating activities	25	**13,513,843**	**15,512,433**	**9,117**	**(106)**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment, intangible assets and other assets		193,302	223,443	-	-
Purchases of property, plant and equipment, intangible assets and other assets		(14,505,882)	(13,727,039)	-	-
Proceeds from sale of investments		-	137,040	-	-
Sydney Harbour Tunnel Company loan repayment		222,600	-	-	-
Other		6,406	2,737	-	-
Net cash flows from investing activities		**(14,083,574)**	**(13,363,819)**	**-**	**-**
Cash flows from financing activities					
Repayment of borrowings and advances		(281,727)	(1,942,903)	-	-
Payment of principal portion of lease liabilities		(543,093)	(727,921)	-	-
Net cash flows from financing activities		**(824,820)**	**(2,670,824)**	**-**	**-**
Net increase / (decrease) in cash and cash equivalents		**(1,394,551)**	**(522,210)**	**9,117**	**(106)**
Opening cash and cash equivalents		4,222,753	4,744,963	122	228
Closing cash and cash equivalents	7	**2,828,202**	**4,222,753**	**9,239**	**122**

The accompanying Notes form part of these financial statements.

The presentation of sale of goods and services, retained taxes, fees and fines as well as grants and contributions in the prior year have been revised to better align with the underlying nature of these transactions.

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 is the lead entity for the Transport cluster and accordingly receives appropriations for the cluster and funds various agencies in the cluster via grant payments. The parent entity leads a program of investment to address wellbeing, walkability, amenity and street activations in the suburbs and cities of NSW. Further, the parent entity uses data and technology in creative, innovative ways to make better and more enjoyable places for NSW communities. The parent entity also provides personnel services to Transport for NSW and the Cities and Active Transport portfolio in the Transport cluster.

As a result of Administrative Arrangements Orders issued during the year, a number of entities from the ministerial portfolios of Infrastructure, and Cities and Active Transport for which the Department is administratively responsible were transferred to the Department of Planning and Environment and NSW Treasury, namely:

- Infrastructure NSW (effective 5 April 2023)
- Greater Cities Commission (effective 5 April 2023)
- Centennial Park and Moore Park Trust (effective 1 July 2023)
- Greater Sydney Parklands Trust (effective 1 July 2023)
- Luna Park Reserve Trust (effective 1 July 2023)
- Parramatta Park Trust (effective 1 July 2023)
- Place Management NSW (effective 1 July 2023)
- Royal Botanic Gardens and Domain Trust (effective 1 July 2023)
- Western Sydney Parklands Trust (effective 1 July 2023)

Refer to Note 31 After balance date events for further information regarding the impact of the changes effective 1 July 2023.

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

- Transport for NSW
- Transport Service of New South Wales
- Sydney Ferries
- Sydney Trains
- NSW Trains
- Sydney Metro
- State Transit Authority of NSW
- Residual Transport Corporation

There were no transactions in the State Transit Authority of NSW (STA) or Residual Transport Corporation for the year ended 30 June 2023. STA's principal activities ceased on 30 April 2022 but STA continues to exist as a legal entity until dissolved by Parliament.

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

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

These consolidated financial statements of Department of Transport for the year ended 30 June 2023 were authorised for issue by the Secretary on the date the accompanying Statement was signed.

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

(b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the Government Sector Finance Act 2018 (GSF Act)
- Treasurer's Directions under the GSF Act.

Property, plant and equipment, assets (or disposal groups) held for sale and certain financial assets and liabilities are measured using the fair value basis. Asset held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. Borrowings are initially measured at the fair value of the consideration received and subsequently using the effective interest method. Certain liabilities are calculated on a present value basis such as leave entitlements and other provisions. 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 presentation and functional currency of the consolidated entity and the parent entity.

(c) 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.

(d) 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

(e) Statement of compliance

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

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

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

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

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

(g) Foreign currency translation

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

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

(h) 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.

(i) 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	• Sydney Trains • NSW Trains • Transport for NSW manages light rail services performed by private operators • Sydney Metro
Buses and related services	• Transport for NSW manages all buses and related services performed by private operators
Road and maritime services	• Transport for NSW
Ferry services	• Sydney Ferries • Transport for NSW manages ferry services performed by private operators
Integrated transport services	• Department of Transport • Transport for NSW • Transport Service of New South Wales

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

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

Integrated transport services activity is responsible for:

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

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

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

(i) Effective for the first time in 2023

The accounting policies applied in 2023 are consistent with those of the previous financial year.

Several amendments and interpretations apply for the first time in 2023, but do not have a material impact on the financial statements of the consolidated entity.

(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 following new standards and amendments have been issued but are not yet effective:

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2024
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*	1 January 2023
AASB 2021-7b *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	1 January 2023
AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	1 January 2025
AASB 17 *Insurance Contracts*	1 January 2023
AASB 2022-1 *Amendments to the Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information*	1 January 2023
AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*	1 January 2024
AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	1 January 2024

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

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

(ii) Issued but not yet effective (cont'd)

Standard	Applicable to annual reporting periods beginning on or after
AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*	1 January 2023
AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*	1 July 2026
AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*	1 January 2024
AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*	1 January 2024

The possible impact of these standards and amendments in the period of initial application includes:

- AASB 17 *Insurance Contracts (AASB 17)* and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector (AASB 2022-9)*

AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard introduces specific scoping criteria to determine if an arrangement is an insurance contract which may result in arrangements previously accounted for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to be captured under AASB 17. AASB 2022-9 amends AASB 17 to prescribe specific public sector requirements. The standards apply to public sector entities for annual reporting periods beginning on or after 1 July 2026. The impact at this stage is yet to be determined by the consolidated entity.

- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities (AASB 2022-10)*

AASB 2022-10 amends AASB 13 *Fair Value Measurement* for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. For these assets, AASB 2022-10 clarifies when an entity is required to consider whether the asset's highest and best use differs from its current use, under what circumstances the asset's use is considered 'financially feasible', and when an entity should use its own assumptions as a starting point in developing unobservable inputs. AASB 2022-10 also provides guidance on how the cost approach is to be applied to measure the asset's fair value. The standard applies prospectively to annual periods beginning on or after 1 January 2024. The impact of the standard is yet to be determined by the consolidated entity.

The impact of the other standards and amendments are not anticipated to be significant.

(k) Going concern

The financial statements have been prepared on a going concern basis which assumes that the Department 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. The Department receives its funding from the Consolidated Fund through the annual Appropriation Act. The 2023-24 budget papers include a budgeted appropriation of $24,674.5 million for the consolidated entity for the 2023-24 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 $605.4 million of the current liability relates to non-cash items. Therefore, there is no risk to the Department in continuing to operate as a going concern after 30 June 2023.

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

(l) Impact of COVID-19 on financial reporting for 2023

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 as applicable. Financial impacts include the following:

- The impact of COVID-19 on passenger service revenue (i.e. fare box) has reduced compared to the prior year. Passenger service revenue in 2023 has increased by $333.1 million compared to the prior year (2022: reduction of $224.2 million) largely due to increased patronage on rail services (refer to Note 3(b)). Patronage levels have not returned to their pre-COVID-19 levels however the impact is less significant in 2023.
- Similarly, the impact of COVID-19 on passenger service revenue collected by private operators has reduced. In 2023, ferry, bus and metro contract costs increased by $53.0 million (2022: $304.0 million) driven by various factors including increased farebox off-set as a result of reduced patronage (refer to Note 2(h)). Passenger service revenue collected by operators prior to the onset of COVID-19 was approximately $157.3 million a month compared with $138.5 million for the month of June 2023. As COVID-19 measures were removed, patronage and operator revenue have been steadily increasing.
- The consolidated entity recognised an expense of $362.3 million for COVID-19 construction pause claims in the 2022 financial statements and a further $9.2 million has been recognised in the net result for the current period. Out of $371.5 million, $364.6 million was settled by 30 June 2023. For the unsettled claims, a provision remains of $6.9 million (Note 21 Other provisions).
- The sensitivity of defined benefit superannuation accrued benefits to changes in the fair value of fund assets is presented in Note 20.

(m) Superannuation on annual leave loading

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

2. Expenses excluding losses

(a) Employee related expenses

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Salaries and wages (including annual leave)	2,736,851	2,613,932	53,338	12,578
Superannuation - defined benefit plans	30,252	29,940	183	10
Superannuation - defined contribution plans	262,933	241,878	4,670	951
Long service leave expense/(expense reversal)	117,685	(19,828)	2,303	(1,843)
Workers' compensation insurance	43,045	56,492	1	110
Payroll tax and fringe benefit tax	184,850	160,112	3,199	630
Redundancy payments	15,789	60,985	922	-
Other	2,116	1,045	-	1
Employee related expenses	**3,393,521**	**3,144,556**	**64,616**	**12,437**

Employee related costs of $984.5 million (2022: $867.1 million) (parent entity: nil (2022: nil)) have been capitalised in property, plant and equipment and intangible assets, and are excluded from the above.

($12.5 million) of other employee related expenses were reclassified to general expenses for 2022 to more accurately reflect the nature of the costs.

2. Expenses excluding losses (cont'd)

(b) Other operating expenses

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Auditor's remuneration - audit of financial statements	2,979	2,825	305	273
Access fees	472,071	273,358	-	-
Advertising and marketing	41,609	39,523	228	-
Cashback refund - M4/M5	123,192	105,810	-	-
Cleaning waste and pest control	66,788	98,167	-	-
Communications	24,458	34,506	-	-
Consultants and other contractors	1,513,006	1,327,806	7,250	4,588
Corporate management fees	228,388	200,485	1,426	611
Electricity, gas and water	139,900	134,012	-	-
Expenses relating to short term leases	4,001	1,501	-	-
Expenses relating to low value assets	72	667	-	-
Variable lease payments not included in lease liabilities	8,881	7,786	-	-
External maintenance costs	640,459	595,530	-	-
Fleet and equipment hire and leasing charges	130,829	92,286	-	-
Fuel costs	28,203	34,388	-	-
General expenses	265,931	247,716	67	11
Information technology	439,570	410,096	24	-
Insurance	70,264	71,651	-	-
Internal audit fees	3,214	1,797	-	-
Land and buildings remediation	2,394	1,821	-	-
Legal services	25,823	28,019	-	5
Materials	254,955	212,863	14	12
Office expenses	85,538	82,343	53	44
Payments to councils and external bodies	1,011	3,402	-	-
Property charges	128,317	65,977	-	-
Royalties and commissions	3,394	3,067	-	-
Security costs	40,888	37,950	-	-
Special number plates concession fees	35,382	33,032	-	-
Sydney Harbour Tunnel operating expenses	26,167	36,891	-	-
Taxes, rates and related charges	5,045	3,983	-	-
Travel expenses	34,185	19,452	22	57
Other operating expenses	**4,846,914**	**4,208,710**	**9,389**	**5,601**

In 2022 the consolidated entity made the following reclassifications to more accurately reflect the nature of the costs:

1) $24.2 million external maintenance costs to consultants and other contractors within other operating expenses.
2) $47.0 million consultant and other contractors to information technology within other operating expenses.
3) $12.5 million other employee related expenses Note 2(a) to general expenses.

In 2022 the parent entity made the following reclassifications to more accurately reflect the nature of the costs:

1) $3.7 million general expenses to consultants and other contractors within other operating expenses.
2) $0.6 million general expenses to corporate management fees within other operating expenses.

2. Expenses excluding losses (cont'd)

(c) Maintenance

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

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Operational maintenance	605,039	561,397	-	-
Fleet hire and other rental charges	115,435	94,620	-	-
Corporate services, information technology and telecommunications	31,823	41,117	-	-
Contractors and materials	866,871	493,793	-	-
Other	35,118	41,222	-	-
Maintenance expense	**1,654,286**	**1,232,149**	**-**	**-**
Employee related maintenance expense included in Note 2(a)	472,326	391,653	-	-
Total maintenance expense including employee related	**2,126,612**	**1,623,802**	**-**	**-**

(d) Major rail project expenses

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Consultants and other contractors		1,564,804	2,012,064	-	-
Employee related expenses		270,641	221,163	-	-
Information technology and telecommunication expenses		18,908	16,931	-	-
Property acquisition		-	27,530	-	-
Insurance		2,131	1,745	-	-
Legal services		3,774	2,294	-	-
Rent and other related expenses		6,673	10,990	-	-
Other		165,739	107,956	-	-
Major rail project expenses		**2,032,670**	**2,400,673**	**-**	**-**

Major rail project expenses relate to construction activities performed by the consolidated entity on behalf of Transport Asset Holding Entity of New South Wales (TAHE).

2. Expenses excluding losses (cont'd)

(e) Depreciation and amortisation

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Depreciation:				
Infrastructure systems:				
Road and maritime infrastructure systems	2,399,346	2,307,701	-	-
Rail infrastructure systems	246,414	245,831	-	-
Buildings:				
Buildings	40,116	53,874	-	-
Plant and equipment:				
Rolling stock	72,587	60,183	-	-
Ferries	13,139	10,046	-	-
Buses	38,809	42,038	-	-
Plant and equipment	153,845	153,209	-	-
Depreciation - property, plant and equipment	**2,964,256**	**2,872,882**	**-**	**-**
Right of use assets	664,872	683,816	-	-
Depreciation - right of use assets	**664,872**	**683,816**	**-**	**-**
Depreciation	**3,629,128**	**3,556,698**	**-**	**-**
Amortisation:				
Intangible assets	265,289	204,626	-	-
Amortisation	**265,289**	**204,626**	**-**	**-**
Depreciation and amortisation	**3,894,417**	**3,761,324**	**-**	**-**

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

2. Expenses excluding losses (cont'd)

(f) Grants and subsidies

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Taxi Transport Subsidy Scheme	42,460	39,403	-	-
Community transport groups	89,061	89,276	-	-
Private vehicle conveyance	14,430	11,357	-	-
Carparks and interchanges	2,934	3,072	-	-
Grants to local councils - maintenance of transport infrastructure[1]	1,845,585	1,092,474	-	-
Grants to local councils & other parties - transfer of infrastructure assets[2]	368,362	437,532	-	-
National transport regulators	10,262	7,219	-	-
Road safety grant to NSW Police	21,629	24,650	-	-
Grants to Transport for NSW[3]	-	-	23,707,332	-
Other[4]	456,486	107,797	414,010	67,820
Rail services and capital works[5]	487,303	139,539	-	-
Point to point assistance package[6]	742,441	1,151	-	-
Grants and subsidies	**4,080,953**	**1,953,470**	**24,121,342**	**67,820**

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

[2]Grants to local councils & other parties of $368.4 million (2022: $437.5 million) include third party works of $249.5 million (2022: $84.2 million) to utility providers, Parramatta Light Rail third party works $45.7 million (2022: $171.1 million), roads transferred to Bland and Goulburn Mulwaree Council of $23.1 million (2022: $nil), Warringah Freeway third party works of $23.1 million (2022: nil), the transfer assets of $22.0 million (2022: $nil) to National Heavy Vehicle Regulator, the transfer of Northern Road Stage 2 to 6 capital works of $nil (2022: $103.6 million) and M6 third party works $nil (2022: $43.1 million).

[3]The Appropriations Act 2022 appropriated the cluster's 2023 total appropriation to the Minister for Infrastructure out of the Consolidated Fund for the services of the Department of Transport. The Appropriations Act 2021 appropriated the cluster's 2022 total appropriation to the Minister for Transport and Roads out of the Consolidated Fund for the services of Transport for NSW (refer to Note 3(a) for further information). Following these changes, the parent entity incurred grant expenses of $23,707.3 million (2022: nil) in relation to the funding provided to Transport for NSW during 2023.

[4]Others of $456.5 million (2022: $107.8 million) in the consolidated entity includes grant payments to Place Management NSW $164.0 million (2022: $40.4 million), Infrastructure NSW $146.3 million (2022: nil), Greater Cities Commission $47.4 million (2022: nil), Royal Botanic Gardens and Domain Trust $31.4 million (2022: $11.1 million), local councils & other parties $12.2 million (2022: $9.0 million), Centennial Park and Moore Park Trust $7.1 million (2022: $6.1 million), Western Sydney Parklands Trust $3.8 million (2022: nil) and Parramatta Park Trust $1.8 million (2022: $1.2 million).

[5]Rail services and capital works of $487.3 million (2022: $139.5 million) represent grant payments to TAHE for the Country Rail Network and major rail projects that are not funded by TAHE directly.

[6]Point to point financial assistance is provided to eligible taxi licence owners to help them adapt to the deregulation of taxi licence supply within the taxi industry. Eligible licences are those held as of 22 September 2022 and which are still held by the licensee as of at 1 February 2023.

2. Expenses excluding losses (cont'd)

(g) Finance costs

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Interest expense from lease liabilities	15	316,168	307,634	-	-
Interest expense from finance liabilities at amortised cost[1]		131,790	71,141	-	-
Other finance costs[2]		28,937	58,334	-	-
Finance costs		**476,895**	**437,109**	**-**	**-**

[1]Financial liabilities at amortised cost of $131.8 million (2022: $71.1 million) relate to financial liabilities for service concession arrangements. Refer to Note 14 for further details on service concession arrangements.

[2]Other finance costs include $0.4 million (2022: $34.2 million) from the unwinding of discounting on non-current receivables and non-current other liabilities. The decrease reflects relatively lower increases in discount rates year-on-year and changes in the timing of settlement of non-current receivables.

No borrowing costs were capitalised in property, plant and equipment and intangible assets in 2023 and 2022.

(h) Other expenses

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Bus contract payments - metropolitan and outer metro bus operators	1,085,381	1,034,460	-	-
Bus contract payments - rural and regional bus operators	469,711	440,996	-	-
Major events - hire of bus and rail services	5,792	4,312	-	-
Ferry contract payments	108,441	132,719	-	-
Light rail contract payments	86,455	82,910	-	-
Nightride bus services	8,285	17,138	-	-
Metro contract payments	90,936	96,810	-	-
Other expenses	**1,855,001**	**1,809,345**	**-**	**-**

Contract payments represent payments to bus, ferry, light rail and metro operators for the provision of bus, ferry, light rail and metro services in the metropolitan, regional and rural areas of New South Wales. The operators also act as agents for the collection of passenger service revenue.

The consolidated entity acts as an agent for the purpose of collecting some passenger service revenue. Revenue from some passenger services is not recognised by the consolidated 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 Note 20 Employee benefits.

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.

2. Expenses excluding losses (cont'd)

Recognition and measurement (cont'd)

(ii) Other operating expenses and maintenance

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

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

(iii) Major rail project expenses

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

(iv) Grants and subsidies

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

(v) Finance costs

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

(vi) Insurance

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

(vii) Lease expenses

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

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

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

(viii) Other expenses

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

3. Revenue

(a) Appropriation

The Appropriations Act 2022 appropriated the cluster's 2023 total appropriation to the Minister for Infrastructure out of the Consolidated Fund for the services of the Department of Transport. The Appropriations Act 2021 appropriated the cluster's 2022 total appropriation to the Minister for Transport and Roads out of the Consolidated Fund for the services of Transport for NSW. Accordingly, 2023 appropriation revenue is recognised in the financial statements of Department of Transport whereas 2022 appropriation revenue was recognised in the financial statements of Transport for NSW.

Summary of compliance

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Appropriations Act[1]	26,999,950	23,219,953	26,999,950	-
Other appropriations				
Other variations made to the appropriations during the financial year:				
- Section 4.9 of the GSF Act (transfer of functions between GSF agencies)	(134,775)	200,799	(134,775)	179,724
- Section 4.11 of the GSF Act (variations of annual appropriations for Commonwealth grants)	(4,935)	2,519	(4,935)	-
Section 34 of the Appropriations Act: Transfer of appropriation from the savings of another agency	(25,600)	-	(25,600)	
- Section 34 of the Appropriation Act: COVID 19 Pandemic Variance	-	48,836	-	-
- Other (Section 32.2 of the Appropriation Act: Offset Savings - insufficient funds)	-	(293,000)	-	-
Total spending authority from parliamentary appropriations, other than deemed appropriations	**26,834,640**	**23,179,107**	**26,834,640**	**179,724**
Add:				
Spending authority from deemed appropriations during the year	200,378	84,336	200,378	84,336
Unutilised spending authority from deemed appropriations in prior years	-	-	-	-
Total	**27,035,018**	**23,263,443**	**27,035,018**	**264,060**
Less: Total expenditure out of Consolidated Fund			**24,332,852**	**243,161**
Variance			**2,702,166**	**20,899**

[1]This includes only amounts appropriated for transfer into the Transport for NSW Fund's bank account. In 2022 the Minister for Transport and Roads had discretion to apportion the appropriations between the services of Transport for NSW and the Department of Transport. In the absence of any apportionment by the Minister, the appropriations were considered as part of the Transport for NSW Fund.

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

3. Revenue (cont'd)

(a) Appropriation (cont'd)

Summary of compliance (cont'd)

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

Appropriated amount hypothecated to the Transport for NSW Fund

Authority	Special Deposit Account	2023 $'000	2022 $'000
Transport Administration Act 1988	Transport for NSW Fund	6,341,881	6,341,881
		6,341,881	**6,341,881**

The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Department of Transport and entities that it is administratively responsible for, including:

Transport for NSW
Transport Service of New South Wales
Sydney Ferries
State Transit Authority of NSW
Sydney Trains
NSW Trains
Residual Transport Corporation
Sydney Metro
Office of Transport Safety Investigations
Centennial Park and Moore Park Trust (until 30 June 2023)
Luna Park Reserve Trust (until 30 June 2023)
Parramatta Park Trust (until 30 June 2023)
Western Sydney Parklands Trust (until 30 June 2023)
Royal Botanic Gardens and Domain Trust (until 30 June 2023)
Place Management NSW (until 30 June 2023)
Greater Sydney Parklands Trust (until 30 June 2023)
Infrastructure NSW (until 5 April 2023)
Greater Cities Commission (until 5 April 2023).

The *Treasury and Energy Legislation Amendment Act 2022* made some amendments to sections 4.7 and 4.9 of the *Government Sector Finance Act 2018*. These amendments commenced on 14 November 2022 and are applied retrospectively. As a result, the lead Minister for each entity above is taken to have been given an appropriation out of the Consolidated Fund under the authority of Section 4.7 of the *Government Sector Finance Act 2018*, at the time the entity receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the entity. The spending authority of the lead Minister from deemed appropriation money has been delegated or sub-delegated to officers of the entity that receives or recovers the deemed appropriation money for its own services.

In addition, government money that a GSF agency receives or recovers, from another GSF agency, of a kind prescribed by the GSF regulations that forms part of the Consolidated Fund, is now capable of giving rise to deemed appropriations where the receiving agency has a different lead Minister to the agency making the payment, or one or both of the agencies is a special office (as defined in section 4.7(8)).

On 16 June 2023, the *GSF Amendment (Deemed Appropriations) Regulation 2023* was approved to bring the Government Sector Finance regulations in line with the above deemed appropriation amendments to the *Government Sector Finance Act 2018*.

3. Revenue (cont'd)

(a) Appropriation (cont'd)

Summary of compliance (cont'd)

The delegation/sub-delegations for the years ended 30 June 2023 and 30 June 2022, authorising officers of the Department of Transport to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but do not specify an aggregate expenditure limit for the Department of Transport. However, as it relates to expenditure in reliance on a sum appropriated through an annual Appropriations Act, the delegation/sub-delegations are referrable to the overall authority to spend set out in the relevant Appropriations Act. The individual transaction limits have been properly observed. The information in relation to the limit from the Appropriations Act is disclosed in the summary of compliance table above.

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

The State Budget and related Appropriation Bill for year commencing 1 July 2023 has been delayed and is anticipated to be tabled in September 2023. Pursuant to section 4.10 of the *Government Sector Finance Act 2018*, the Treasurer has authorised the payment of specified sums out of the Consolidated Fund to meet the requirements of this period. The authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2023 annual Appropriations Act.

Parliamentary appropriations do not contain enforceable and sufficiently specific performance obligations as defined by AASB 15 *Revenue from Contracts with Customers*. Therefore, appropriations are recognised as income when the Department of Transport obtains control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

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

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Passenger service revenue	763,077	429,970	-	-
Fees for services rendered including salary recoupments	164,243	151,079	-	-
Toll revenue including E-tag	135,708	110,907	-	-
Number plates	139,072	176,995	-	-
Fees earned from road and maritime infrastructure assets	80,726	78,543	-	-
Works and services including construction contract revenue	55,901	38,786	-	-
Third party insurance data access charges	5,350	5,078	-	-
Advertising	30,903	25,007	-	-
Publications	11,847	7,883	-	-
Other[1]	127,165	119,358	-	-
Sale of goods and services	**1,513,992**	**1,143,606**	-	**-**

[1]Other revenue of $127.2 million includes Tweed Sand Bypassing cost recoveries from the Department of Environment and Science Queensland, transport planning and delivery of services from Destination NSW, revenue from the sale of rail and quarry products, and revenue from various miscellaneous services such as license fees, registrations and inspections. Other revenue of $119.4 million in the prior year includes revenue from the sale of rail and quarry products and revenue from various miscellaneous services such as license fees, registrations and inspections.

3. Revenue (cont'd)

(c) Investment revenue

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Rental income[1]	109,692	85,168	-	-
TCorpIM Funds designated at fair value through profit or loss	-	3,047	-	-
Interest income from financial assets at amortised cost	76,939	24,332	-	-
Amortisation of zero interest Sydney Harbour Tunnel loan	2,472	18,486	-	-
Ferry lease revenue	5,641	5,404	-	-
M2 and Eastern Distributor promissory notes	14,290	7,640	-	-
Investment revenue	**209,034**	**144,077**	**-**	**-**

[1]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 (2023: $109.7 million; 2022: $85.2 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.

(d) Retained taxes, fees and fines

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Fines	17,290	12,779	-	-
Fees	37	78	-	-
Retained taxes, fees and fines	**17,327**	**12,857**	**-**	**-**

3. Revenue (cont'd)

(e) Grants and contributions

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Community transport grants[1]	68,274	79,055	-	-
NSW government agencies - others (non-transport)[2]	864,823	568,200	-	-
Private firms and individuals	49,074	46,094	-	-
Grants from Transport for NSW	-	-	305	16,507
The Crown in the right of the State of New South Wales[3]	1,096,656	1,910,335	-	-
Local councils – transfer of assets[4]	423,435	1,818	-	-
Other government agencies	11,969	20,702	4,690	2,830
Grants and contributions	**2,514,231**	**2,626,204**	**4,995**	**19,337**

[1]Community transport grants of $68.3 million (2022: $79.1 million) represent grants received from the Department of Family and Community Services for the Commonwealth Home Support Program.

[2]Other NSW Government grants of $864.8 million (2022: $568.2 million) include grants of $554.2 million (2022: $254.7 million) for natural disaster restoration works from NSW Reconstruction Authority (formerly Resilience NSW); $227.0 million (2022: $206.3 million) for corporate services from Service NSW; $35.4 million (2022: $33.5 million) for Digital Restart Funding from the Department of Customer Service; $22.5 million (2022: $8.5 million) contributions for Spring Farm Parkway from Landcom; $3.7 million (2022: nil) for Richmond Road and Townson Road Planning from the Department of Planning and Environment; $3.4 million (2022: nil) for strategic business cases for Mount Penang & Tuggerah transport upgrades from the Greater Cities Commission; nil (2022: $36.7 million) land transfer from the Department of Planning and Environment; nil (2022:$18.1 million) land acquisition from Sydney Water; nil (2022: $10.6 million) for personal protection equipment from the Ministry of Health and nil (2022: $6.2 million) for Memorial Avenue Windsor Road Planning from the Department of Planning and Environment.

[3]Grants of $1,096.7 million (2022: $1,910.3 million) from the Crown in the right of the State of NSW were provided for the Sydney Metro City and Southwest project funded by Restart NSW $495.0 million (2022: $1,328.2 million); Coffs Harbour bypass $184.8 million (2022: nil); Transport for NSW capital program $112.5 million (2022: $131.2 million); redundancies $44.9 million (2022: $51.3 million); Intelligence Congestion Management Program $41.0 million (2022: $31.5 million); M12 Motorway and M7 to Northern Road $34.9 million (2022: $62.1 million); New England Highway $34.3 million (2022: $24.9 million); Pacific Highway $25.7 million (2022: $21.0 million); Pinch Points and Clearways $22.4 million (2022: $15.2 million); Berry to Bomaderry upgrade $9.2 million (2022: $41.9 million); Albion park rail bypass $4.5 million (2022: $41.5 million); Parramatta Light Rail nil (2022: $36.2 million) and other projects $87.5 million (2022: $125.3 million).

[4]Grants from local councils of $423.4 million (2022: $1.8 million) include roads and bridges transferred from councils as part of the regional roads transfer program $421.1 million (2022: $1.8 million) and Metro West sites transferred from councils $0.6 million (2022: nil).

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

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Superannuation - defined benefit	9,183	10,773	183	10
Long service leave	61,643	(3,375)	2,279	(1,703)
Payroll tax	491	520	10	2
Acceptance by the Crown of employee benefits and other liabilities	**71,317**	**7,918**	**2,472**	**(1,691)**

3. Revenue (cont'd)

(g) Major rail project revenue

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Major rail project revenue	2,032,670	2,400,673	-	-
Major rail project revenue	**2,032,670**	**2,400,673**	**-**	**-**

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

(h) Personnel service revenue

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Fees for personnel services	54,407	12,058	55,883	12,782
Personnel service revenue	**54,407**	**12,058**	**55,883**	**12,782**

(i) Other revenue

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Revenue related to service concession arrangements[1]		577,940	555,173	-	-
Recognition of assets	14	4,192	1,561	-	-
Other		28,590	57,370	-	-
Other revenue		**610,722**	**614,104**	**-**	**-**

[1]Revenue related to service concession arrangements $577.9 million (2022: $555.2 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.

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.

3. Revenue (cont'd)

Recognition and measurement (cont'd)

(ii) Sale of goods and services

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

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

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

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

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

(iii) Retained taxes, fines and fees

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

(iv) Investment revenue

Interest income

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

Rental income

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

(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.

3. Revenue (cont'd)

Recognition and measurement (cont'd)

(v) Grants and contributions (cont'd)

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 are measured at fair value. In addition to the volunteer service recognised, the consolidated entity also receives volunteer services from various organisations. Receipt of these services is not recognised because the services would not have been purchased if not donated.

(vi) Major rail project revenue

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

(vii) Personnel service revenue

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

4. Gains/(losses) on disposal

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Proceeds from asset sales		103,792	5,316	-	-
Net carrying amount of property, plant and equipment disposed	14	(168,674)	(136,172)	-	-
Net carrying amount of intangible assets disposed	16	(23,184)	(9,303)	-	-
Net gain on disposal of non-current assets held for sale		62,772	80,931	-	-
Net gain on disposal of right of use assets		(115)	2,251	-	-
Losses on disposal		**(25,409)**	**(56,977)**	**-**	**-**

5. Other gains/(losses)

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Revaluation decrement	14	(980,433)	(773,063)	-	-
Impairment losses	14	(144)	(1,966)	-	-
Property, plant and equipment		**(980,577)**	**(775,029)**	**-**	**-**
Impairment losses	15	(14,140)	-	-	-
Gain arising from lease modifications		-	142	-	-
Derecognition of right of use assets and lease liabilities with Property and Development NSW[1]	15	-	104,107	-	-
Right of use assets		**(14,140)**	**104,249**	**-**	**-**
Bad debts recovered		11	1	-	-
Impairment reversals	16	5,006	1,461	-	-
Realised and unrealised gains/(losses) on derivatives		18,495	94,418	-	-
Realised and unrealised gains/(losses) on other financial instruments		2,475	(7,793)	-	-
Other		**25,987**	**88,087**	**-**	**-**
Other losses		**(968,730)**	**(582,693)**	**-**	**-**

[1]The net gain of $104.1 million in 2022 was recognised upon derecognition of the right of use assets and lease liabilities with Property and Development NSW as at 30 June 2022. Refer to Note 15 for further details on the derecognition.

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, gain/loss resulting from financial assets and liabilities, impairment loss/reversal of physical assets and reversal of unused provisions.

6. Service Group Statements

Expenses and Income	Rail services 2023 $'000	Rail services 2022 $'000	Buses and related services 2023 $'000	Buses and related services 2022 $'000	Road and maritime services 2023 $'000	Road and maritime services 2022 $'000	Ferry services 2023 $'000	Ferry services 2022 $'000	Integrated transport services 2023 $'000	Integrated transport services 2022 $'000	Total 2023 $'000	Total 2022 $'000
Expenses excluding losses												
Operating expenses												
Employee related expenses	1,578,977	1,633,571	-	-	-	-	-	-	1,814,544	1,510,985	3,393,521	3,144,556
Other operating expenses	2,029,727	1,724,272	-	61,249	1,539,737	1,261,684	2,202	2,405	1,275,248	1,159,100	4,846,914	4,208,710
Major rail project expenses	2,032,670	2,400,673	-	-	-	-	-	-	-	-	2,032,670	2,400,673
Depreciation and amortisation	897,662	828,293	137,517	146,827	2,396,283	2,341,472	14,784	11,800	448,171	432,932	3,894,417	3,761,324
Grants and subsidies	618,481	226,819	106,685	106,777	2,528,479	966,108	-	-	827,308	653,766	4,080,953	1,953,470
Finance costs	379,298	345,234	43,906	63,239	400	4,958	2,160	1,915	51,131	21,763	476,895	437,109
Other expenses	204,078	190,845	1,542,482	1,485,780	-	-	108,441	132,720	-	-	1,855,001	1,809,345
Total expenses excluding losses	**7,740,893**	**7,349,707**	**1,830,590**	**1,863,872**	**6,464,899**	**4,574,222**	**127,587**	**148,840**	**4,416,402**	**3,778,546**	**20,580,371**	**17,715,187**
Revenue												
Appropriation	12,289,779	13,344,827	1,790,001	1,739,157	9,054,721	6,703,878	114,229	134,888	883,744	656,498	24,132,474	22,579,248
Sale of goods and services from contracts with customers	880,250	444,238	-	42,046	565,862	610,115	-	-	67,880	47,207	1,513,992	1,143,606
Investment revenue	62,100	22,727	-	63	83,790	85,034	7,455	5,470	55,689	30,783	209,034	144,077
Retained taxes, fees and fines	3,893	3,497	-	156	13,434	9,204	-	-	-	-	17,327	12,857
Grants and contributions	557,586	1,450,388	-	375	1,696,748	974,810	-	-	259,897	200,631	2,514,231	2,626,204
Acceptance by the Crown of employee benefits and other liabilities	-	-	-	-	-	-	-	-	71,317	7,918	71,317	7,918
Major rail project revenue	2,032,670	2,400,673	-	-	-	-	-	-	-	-	2,032,670	2,400,673
Personnel service revenue	-	-	-	-	-	-	-	-	54,407	12,058	54,407	12,058
Other revenue	3,704	-	-	-	605,577	612,357	1,161	1,280	280	467	610,722	614,104
Total revenue	**15,829,982**	**17,666,350**	**1,790,001**	**1,781,797**	**12,020,132**	**8,995,398**	**122,845**	**141,638**	**1,393,214**	**955,562**	**31,156,174**	**29,540,745**
Gains/(losses) on disposal	49,303	96,154	(101)	(183)	(71,620)	(123,429)	(105)	-	(2,886)	(29,519)	(25,409)	(56,977)
Other gains/(losses)	(825,330)	(692,975)	(14,140)	-	(134,133)	(1,444)	4,862	13,833	11	97,893	(968,730)	(582,693)
Impairment losses on financial assets	(39)	(41)	-	-	-	(274)	-	-	(4,703)	(1,696)	(4,742)	(2,011)
Net result	**7,313,023**	**9,719,781**	**(54,830)**	**(82,258)**	**5,349,480**	**4,296,029**	**15**	**6,631**	**(3,030,766)**	**(2,756,306)**	**9,576,922**	**11,183,877**
Other comprehensive income												
Net gains/(losses) in commodity swaps and foreign exchange	(9,159)	7,348	-	-	-	-	-	-	26	(38)	(9,133)	7,310
Changes in revaluation surplus of property, plant and equipment	2,510,042	1,879,815	(18,513)	29,358	19,788,386	7,567,494	18,415	4,584	83,159	71,857	22,381,489	9,553,108
Remeasurement of defined benefit superannuation schemes	65,101	314,814	-	-	-	-	-	-	-	2,215	65,101	317,029
Total other comprehensive income	**2,565,984**	**2,201,977**	**(18,513)**	**29,358**	**19,788,386**	**7,567,494**	**18,415**	**4,584**	**83,185**	**74,034**	**22,437,457**	**9,877,447**
Total comprehensive income	**9,879,007**	**11,921,758**	**(73,343)**	**(52,900)**	**25,137,866**	**11,863,523**	**18,430**	**11,215**	**(2,947,581)**	**(2,682,272)**	**32,014,379**	**21,061,324**

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

The allocation of various line items to state outcome groups in the prior year have been revised to more appropriately reflect their underlying nature.

6. Service Group Statements (cont'd)

Administered expenses and income	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Administered expenses												
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	-	-	3,118	3,131	3,118	3,131
Administered expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,118**	**3,131**	**3,118**	**3,131**
Administered income												
Transfer receipts - taxes, fees and fines	-	-	-	-	4,508,426	4,186,024	-	-	3,104	3,010	4,511,530	4,189,034
Administered income	**-**	**-**	**-**	**-**	**4,508,426**	**4,186,024**	**-**	**-**	**3,104**	**3,010**	**4,511,530**	**4,189,034**
Administered income less expenses	**-**	**-**	**-**	**-**	**4,508,426**	**4,186,024**	**-**	**-**	**(14)**	**(121)**	**4,508,412**	**4,185,903**

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

6. Service Group Statements (cont'd)

Assets and liabilities	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets												
Current assets												
Cash and cash equivalents	1,207,559	2,162,487	-	4,161	695,085	772,327	55,620	62,372	869,938	1,221,406	2,828,202	4,222,753
Receivables	1,106,237	813,912	-	833	1,403,011	697,130	2,347	1,197	227,139	411,836	2,738,734	1,924,908
Inventories	30,023	22,275	-	-	5,743	6,998	-	-	-	-	35,766	29,273
Financial assets at fair value	21,961	11,628	-	-	340	38	-	-	-	-	22,301	11,666
Non-current assets held for sale	58,358	2,772	-	-	8,688	26,921	-	-	-	-	67,046	29,693
Other financial assets	9,429	6,730	-	-	-	221,737	-	-	-	-	9,429	228,467
Total current assets	**2,433,567**	**3,019,804**	**-**	**4,994**	**2,112,867**	**1,725,151**	**57,967**	**63,569**	**1,097,077**	**1,633,242**	**5,701,478**	**6,446,760**
Non-current assets												
Receivables	1,016,104	1,058,436	-	-	378,365	67,976	-	-	-	-	1,394,469	1,126,412
Inventories	33,369	38,319	-	-	-	-	-	-	-	-	33,369	38,319
Financial assets at fair value	82,898	87,735	-	-	10	1,609	-	-	-	-	82,908	89,344
Other financial assets	590,306	491,926	-	-	96,756	82,466	-	-	2,283	2,770	689,345	577,162
Land and buildings	1,552,131	1,863,492	512,695	432,365	4,732,759	4,663,408	19,681	13,219	124,364	205,041	6,941,630	7,177,525
Plant and equipment	2,803,292	1,911,445	377,566	402,910	56,129	146,462	170,158	136,866	659,003	683,845	4,066,148	3,281,528
Infrastructure systems	35,999,343	28,023,300	-	-	164,319,794	139,893,916	-	-	-	-	200,319,137	167,917,216
Right of use assets	5,577,246	5,221,088	688,669	723,786	67,171	95,815	-	-	71,293	36,096	6,404,379	6,076,785
Intangible assets	318,891	200,558	9,144	-	374,163	321,071	33,473	27,327	747,475	789,350	1,483,146	1,338,306
Total non-current assets	**47,973,580**	**38,896,299**	**1,588,074**	**1,559,061**	**170,025,147**	**145,272,723**	**223,312**	**177,412**	**1,604,418**	**1,717,102**	**221,414,531**	**187,622,597**
Total assets	**50,407,147**	**41,916,103**	**1,588,074**	**1,564,055**	**172,138,014**	**146,997,874**	**281,279**	**240,981**	**2,701,495**	**3,350,344**	**227,116,009**	**194,069,357**

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

The allocation of various line items to state outcome groups in the prior year have been revised to more appropriately reflect their underlying nature.

6. Service Group Statements (cont'd)

Assets and liabilities (cont'd)	Rail services 2023 $'000	Rail services 2022 $'000	Buses and related services 2023 $'000	Buses and related services 2022 $'000	Road and maritime services 2023 $'000	Road and maritime services 2022 $'000	Ferry services 2023 $'000	Ferry services 2022 $'000	Integrated transport services 2023 $'000	Integrated transport services 2022 $'000	Total 2023 $'000	Total 2022 $'000
Liabilities												
Current liabilities												
Payables	1,255,101	1,507,349	127,143	227,797	2,004,783	1,169,013	8,713	35,252	329,151	664,669	3,724,891	3,604,080
Contract liabilities	4,226	3,319	-	-	42,555	43,144	-	-	105,832	48,025	152,613	94,488
Borrowings	1,202,091	505,357	111,592	123,258	47,373	93,762	1,860	1,782	14,385	12,939	1,377,301	737,098
Employee benefits	571,217	533,214	-	-	-	-	-	-	360,006	342,266	931,223	875,480
Other provisions	239,164	342,128	18,538	17,828	76,839	62,002	1,417	1,725	7,107	2,485	343,065	426,168
Other liabilities	11,760	9,338	-	-	739,675	709,091	1,406	1,759	241,639	223,153	994,480	943,341
Total current liabilities	**3,283,559**	**2,900,705**	**257,273**	**368,883**	**2,911,225**	**2,077,012**	**13,396**	**40,518**	**1,058,120**	**1,293,537**	**7,523,573**	**6,680,655**
Non-current liabilities												
Contract liabilities	20,484	20,586	-	-	132,823	99,790	-	-	-	-	153,307	120,376
Borrowings	9,713,067	9,108,602	570,056	637,432	38,922	50,597	47,071	48,931	58,550	39,854	10,427,666	9,885,416
Employee benefits	441,467	507,144	-	-	-	-	-	-	24,319	29,887	465,786	537,031
Other provisions	26,451	41,480	-	-	59,322	10,969	1,245	1,100	13,194	11,069	100,212	64,618
Other liabilities	17,091	2,776	-	-	16,430,873	16,792,769	-	-	-	-	16,447,964	16,795,545
Total non-current liabilities	**10,218,560**	**9,680,588**	**570,056**	**637,432**	**16,661,940**	**16,954,125**	**48,316**	**50,031**	**96,063**	**80,810**	**27,594,935**	**27,402,986**
Total liabilities	**13,502,119**	**12,581,293**	**827,329**	**1,006,315**	**19,573,165**	**19,031,137**	**61,712**	**90,549**	**1,154,183**	**1,374,347**	**35,118,508**	**34,083,641**
Net assets	**36,905,028**	**29,334,810**	**760,745**	**557,740**	**152,564,849**	**127,966,737**	**219,567**	**150,432**	**1,547,312**	**1,975,997**	**191,997,501**	**159,985,716**

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

The allocation of various line items to state outcome groups in the prior year have been revised to more appropriately reflect their underlying nature.

7. Cash and cash equivalents

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Cash at bank and on hand[1]	2,531,169	3,928,246	9,239	122
Public revenue bank account	130,638	132,894	-	-
Security deposits	166,395	161,613	-	-
Cash and cash equivalents	**2,828,202**	**4,222,753**	**9,239**	**122**

[1]Cash at bank and on hand includes cash required to cover capital accruals and provide working capital to meet short term obligations.

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank and on hand, public revenue bank account and security deposits.

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 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Cash and cash equivalents (per Statement of financial position)	2,828,202	4,222,753	9,239	122
Closing cash and cash equivalents (per Statement of cash flows)	**2,828,202**	**4,222,753**	**9,239**	**122**

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

Credit standby arrangements and loan facilities with TCorp

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

Restricted cash and cash equivalents

Cash and cash equivalent assets include restricted cash of $867.1 million (2022: $791.7 million) (parent entity: nil (2022: 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 2023 $'000	Consolidated 2022 $'000
Parking Space Levy	65,857	14,579
Commonwealth Home Support Programme	2,251	18,428
Railway Contribution Deed	4	4
E-tag deposits	90,601	107,776
Waterways Fund	348,342	413,267
Funds related to land acquisition by the State	52,991	36,208
Opal cards deposits	207,839	201,469
Sydney Harbour Tunnel sinking fund	37,700	-
Integration risk share allowance account	61,525	-
Restricted cash and cash equivalents	**867,110**	**791,731**

7. Cash and cash equivalents (cont'd)

Restricted cash and cash equivalents (cont'd)

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

The Transport component of the Commonwealth Home Support Programme 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 Commonwealth Home Support Programme, 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 Waterways Fund are restricted to activity relating to maritime transactions and are covered by Section 42 of the *Ports and Maritime Administration Act 1995*.

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

Holders of Opal cards make top ups to the Opal smartcards and use these funds for travel on Opal network. The unused funds are held in Westpac Bank ETS Clearing Account and are available to be refunded if the customers choose to.

The Sydney Harbour Tunnel sinking fund is to be held in quarantine for future maintenance and upkeep of the Sydney Harbour Tunnel. The sinking fund was transferred from Sydney Harbour Tunnel Company Ltd when the concession ended on 31 August 2022.

Sydney Metro has established an interest-bearing bank account known as the Integration Risk Share Allowance account in accordance with Operations Trains and Systems Project Deed for the City Southwest project. This account has been established to set aside funds as a contingency to address potential unknown integration issues for Phase 1 of the project.

Recognition and measurement

Cash and cash equivalents in the Statement of financial position comprise cash at bank and in hand and on call deposits. These deposits have an original maturity of three months or less which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Term deposits greater than 90 days are classified as other financial assets.

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

8. Receivables

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Trade receivables from contracts with customers[1]	322,895	391,181	295	-
Goods and Services Tax recoverable	485,595	401,890	408	27
Prepayments	689,562	556,851	-	-
Income receivable	827,237	447,918	-	-
Personnel services receivable	6,927	7,023	7,261	7,023
Other receivables[2]	419,125	128,977	369	6,858
Investment income receivable	1,081	288	-	-
	2,752,422	**1,934,128**	**8,333**	**13,908**
Less: Allowance for expected credit loss	(13,688)	(9,220)	-	-
Current receivables	**2,738,734**	**1,924,908**	**8,333**	**13,908**
Movement in the allowance for expected credit losses				
Balance at 1 July	(9,220)	(7,790)	-	-
Amounts written off during the year	270	573	-	-
Unused provision reversed	4	8	-	-
Increase in allowance recognised in net result	(4,742)	(2,011)	-	-
Balance at 30 June	**(13,688)**	**(9,220)**	-	-

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Other receivables[2]	758,913	986,866	-	-
Prepayments	635,556	139,546	-	-
Non-current receivables	**1,394,469**	**1,126,412**	**-**	**-**

[1]Trade receivables from contracts with customers in the consolidated entity include current receivables from TAHE of $253.0 million (2022: $303.7 million).

[2]Other receivables in the consolidated entity include proceeds receivable from external parties under the Integrated Station Development arrangements in Sydney Metro of $1,074.6 million (2022: $984.9 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.

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.

8. Receivables (cont'd)

Recognition and measurement (cont'd)

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 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Contract liabilities - current		152,613	94,488	-	-
Contract liabilities – non-current		153,307	120,376	-	-
Contract liabilities		**305,920**	**214,864**	**-**	**-**
Contract receivables	8	**322,895**	**391,181**	**295**	**-**

	Consolidated 2023 $'000	Consolidated 2022 $'000
Revenue recognised that was included in the contract liability at the beginning of the year	66,676	267,017
Revenue recognised from performance obligations satisfied in previous periods	-	830
Transaction price allocated to the remaining performance obligations from contracts with customers	305,920	214,864

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 2023 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, primarily boating fees with licensing periods of 1, 3, 5, and 10 years, and grants and contributions which are anticipated to be recognised as revenue through 2024 to 2026.

2022 had the following reclassifications to more accurately reflect the nature of the transactions:

1) $0.2 million of contract liabilities - current reclassified to other liabilities - current
2) $10.0 million of contract liabilities - non-current reclassified to other liabilities non-current.

10. Inventories

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Materials, spare parts and other stores	45,672	39,219	-	-
Less: Provision for obsolescence	(9,906)	(9,946)	-	-
Current inventories held for distribution	**35,766**	**29,273**	**-**	**-**
Materials, spare parts and other stores	33,369	38,319	-	-
Non-current inventories held for distribution	**33,369**	**38,319**	**-**	**-**

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 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Financial assets held for trading				
Derivatives	22,301	11,666	-	-
Current financial assets at fair value	**22,301**	**11,666**	**-**	**-**
Financial assets held for trading				
Derivatives	82,908	89,344	-	-
Non-current financial assets at fair value	**82,908**	**89,344**	**-**	**-**

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, liquidity risk and operational risk.

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

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

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

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

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

Recognition and measurement

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The consolidated entity recognises a financial asset when, and only when, it becomes a party to the contractual provisions of the instrument. To determine this, the consolidated entity considers:

- whether there is a legal right to receive cash (financial asset); or
- whether at least one of the parties has performed under the agreement

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.

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

Recognition and measurement (cont'd)

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

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

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

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

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

Changes in the fair value of the derivative financial assets or liabilities are recorded in profit or loss.

(iii) Impairment of financial assets

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

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

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

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

12. Non-current assets held for sale

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Land and buildings held for sale	67,046	29,649	-	-
Plant and equipment held for sale	-	44	-	-
Non-current assets held for sale	**67,046**	**29,693**	**-**	**-**

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. Further details regarding fair value measurement are disclosed in Note 17.

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.

13. Other financial assets

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Biodiversity offset deposit[1]	-	1,609	-	-
Energy certificates - at cost[2]	9,429	6,730	-	-
Loan to Sydney Harbour Tunnel Company Limited[3]	-	220,128	-	-
Current other financial assets	**9,429**	**228,467**	**-**	**-**
Promissory notes[4]	96,756	82,466	-	-
Interest free advances to taxi operators[5]	2,283	2,770	-	-
Loan to TAHE[6]	590,306	491,926	-	-
Non-current other financial assets	**689,345**	**577,162**	**-**	**-**

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

[1] Biodiversity offset deposits of $1.6 million at 30 June 2022 represent funds deposited by the consolidated entity into the Biodiversity Stewardship Payments Fund. The biodiversity credit was retired in the current year.

[2] Energy certificates of $9.4 million (2022: $6.7 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.

[3] The $220.1 million loan receivable at 30 June 2022 was part of the consolidated entity's interest in the Sydney Harbour Tunnel and was valued on a net present value (NPV) basis. The loan was repaid on 9 September 2022.

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

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

[6] The loan to TAHE of $590.3 million (2022: $491.9 million) represents construction costs incurred but not billed to TAHE.

Recognition and measurement

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

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

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

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

14. Property, plant and equipment

(a) Total property, plant and equipment

Consolidated		Infrastructure systems			Plant and equipment					
	Land and buildings $ '000	Road and maritime systems $ '000	Rail systems $ '000	Total $ '000	Plant and equipment $ '000	Rolling stock $ '000	Buses $ '000	Ferries $ '000	Total $ '000	Total property, plant and equipment $ '000
At 1 July 2022										
Gross carrying amount	7,686,176	179,114,686	29,050,680	208,165,366	1,960,719	2,246,013	1,139,584	442,251	5,788,567	221,640,109
Accumulated depreciation and impairment	(508,651)	(39,195,228)	(1,052,922)	(40,248,150)	(999,807)	(410,981)	(787,097)	(309,154)	(2,507,039)	(43,263,840)
Net carrying amount at 1 July 2022	**7,177,525**	**139,919,458**	**27,997,758**	**167,917,216**	**960,912**	**1,835,032**	**352,487**	**133,097**	**3,281,528**	**178,376,269**
At 30 June 2023										
Gross carrying amount	7,499,417	213,883,379	37,245,231	251,128,610	1,941,440	3,213,010	1,175,567	545,037	6,875,054	265,503,081
Accumulated depreciation and impairment	(557,787)	(49,563,585)	(1,245,888)	(50,809,473)	(1,111,307)	(482,725)	(836,411)	(378,463)	(2,808,906)	(54,176,166)
Net carrying amount at 30 June 2023	**6,941,630**	**164,319,794**	**35,999,343**	**200,319,137**	**830,133**	**2,730,285**	**339,156**	**166,574**	**4,066,148**	**211,326,915**
At 1 July 2021										
Gross carrying amount	7,112,352	163,446,598	23,279,757	186,726,355	1,892,129	1,922,786	1,053,910	370,538	5,239,363	199,078,070
Accumulated depreciation and impairment	(472,846)	(35,619,439)	(654,217)	(36,273,656)	(886,400)	(329,941)	(719,638)	(250,422)	(2,186,401)	(38,932,903)
Net carrying amount at 1 July 2021	**6,639,506**	**127,827,159**	**22,625,540**	**150,452,699**	**1,005,729**	**1,592,845**	**334,272**	**120,116**	**3,052,962**	**160,145,167**
At 30 June 2022										
Gross carrying amount	7,686,176	179,114,686	29,050,680	208,165,366	1,960,719	2,246,013	1,139,584	442,251	5,788,567	221,640,109
Accumulated depreciation and impairment	(508,651)	(39,195,228)	(1,052,922)	(40,248,150)	(999,807)	(410,981)	(787,097)	(309,154)	(2,507,039)	(43,263,840)
Net carrying amount at 30 June 2022	**7,177,525**	**139,919,458**	**27,997,758**	**167,917,216**	**960,912**	**1,835,032**	**352,487**	**133,097**	**3,281,528**	**178,376,269**

There was nil (2022: 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.

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

Consolidated – Reconciliation of total property, plant and equipment

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

		Infrastructure systems			Plant and equipment					
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries	Total	Total property, plant and equipment
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
At 30 June 2023										
Net carrying amount at start of year	7,177,525	139,919,458	27,997,758	167,917,216	960,912	1,835,032	352,487	133,097	3,281,528	178,376,269
Additions	1,061,900	6,799,940	6,815,266	13,615,206	126,953	13,258	51,541	20,946	212,698	14,889,804
Recognition of assets	-	3,912	-	3,912	280	-	-	-	280	4,192
Revaluation increment/(decrement) recognised in equity	(78,369)	19,788,385	2,432,122	22,220,507	(221)	246,549	(18,513)	11,536	239,351	22,381,489
Revaluation increment/(decrement) recognised in net result	(980,433)	-	-	-	-	-	-	-	-	(980,433)
Disposals	(91,177)	(75,090)	-	(75,090)	(2,174)	-	(128)	(105)	(2,407)	(168,674)
Impairment (losses)/reversals	-	-	-	-	-	-	-	(144)	(144)	(144)
Assets transferred (to)/from non-current assets held for sale	(153,812)	-	-	-	-	-	-	-	-	(153,812)
Reclassification between PPE classes	44,992	35,493	(793,919)	(758,426)	(1,698)	708,033	(7,284)	14,383	713,434	-
Reclassifications (to)/from intangible assets	-	(9,489)	(31,498)	(40,987)	(95,260)	-	(138)	-	(95,398)	(136,385)
Depreciation expense	(40,116)	(2,399,346)	(246,414)	(2,645,760)	(153,845)	(72,587)	(38,809)	(13,139)	(278,380)	(2,964,256)
Increase/(decrease) in net assets from equity transfer	2,416	6,053	-	6,053	-	-	-	-	-	8,469
Transfer (to)/from councils, NSW government agencies & other parties	(1,296)	250,478	(173,972)	76,506	(4,814)	-	-	-	(4,814)	70,396
Net carrying amount at 30 June 2023	**6,941,630**	**164,319,794**	**35,999,343**	**200,319,137**	**830,133**	**2,730,285**	**339,156**	**166,574**	**4,066,148**	**211,326,915**

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

Consolidated – Reconciliation of total property, plant and equipment

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

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

The reclassifications between property, plant and equipment classes mainly comprise transfers of infrastructure system assets to land and buildings and plant and equipment in a number of controlled entities in 2023 and 2022.

Certain land and buildings, road and maritime system and rail system assets were transferred to and from councils and other parties.

a) Comprehensive revaluations on land and building assets were undertaken in a number of the controlled entities in 2023 and 2022. The fair value of such assets is stated at fair value using either the direct comparison approach or current replacement cost (CRC).

b) A comprehensive revaluation of ferries was performed in 2023. The fair value of such assets is stated at fair value using current replacement cost.

c) A comprehensive revaluation of road, bridge and tunnel infrastructure assets (excluding tolled motorways) was performed in 2023. The fair value of such assets is stated at fair value using current replacement cost.

d) Comprehensive revaluation of buses under plant and equipment was performed in 2022. The fair value of such assets is stated at fair value using current replacement cost.

e) A comprehensive revaluation of Sydney Metro Northwest rail assets including land (excluding developable land under Northwest Property Development agreement), rail infrastructure, rolling stock and specialised plant and equipment were performed in 2022.

f) Maritime assets including wharves and jetties, seawalls, dredging, maritime roads and navigational aids are valued using the following steps:

- Obtaining assets inventory data for asset types from various sources of databases.
- Applying average unit rates for assets and asset components where possible to determine the estimated replacement cost for each asset type.
- Estimating normal useful lives and remaining useful lives based on condition. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

g) 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.

h) Newcastle Light Rail, CBD & South East Light Rail as specialised assets have been valued using the cost approach. Due to this being a recently constructed project, the gross replacement cost has been determined by adjusting the historical cost (excluding relocating costs) using relevant indices.

i) 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.

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

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

k) Service concession infrastructure assets including roads, bridges and traffic control network assets are valued using the following steps:

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

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

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

		Infrastructure systems			Plant and equipment					
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries	Total	Total property, plant and equipment
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
At 1 July 2022										
At cost - Gross carrying amount	6,244,793	178,728,299	29,050,680	207,778,979	1,960,719	2,246,013	1,139,584	442,251	5,788,567	219,812,339
Accumulated depreciation and impairment	(506,385)	(39,195,228)	(1,052,922)	(40,248,150)	(999,807)	(410,981)	(787,097)	(309,154)	(2,507,039)	(43,261,574)
Net carrying amount at 1 July 2022	**5,738,408**	**139,533,071**	**27,997,758**	**167,530,829**	**960,912**	**1,835,032**	**352,487**	**133,097**	**3,281,528**	**176,550,765**
At 30 June 2023										
At cost - Gross carrying amount	6,105,700	213,496,263	37,242,397	250,738,660	1,941,440	3,213,010	1,175,567	545,037	6,875,054	263,719,414
Accumulated depreciation and impairment	(555,856)	(49,563,585)	(1,245,888)	(50,809,473)	(1,111,307)	(482,725)	(836,411)	(378,463)	(2,808,906)	(54,174,235)
Net carrying amount at 30 June 2023	**5,549,844**	**163,932,678**	**35,996,509**	**199,929,187**	**830,133**	**2,730,285**	**339,156**	**166,574**	**4,066,148**	**209,545,179**
At 1 July 2021										
At cost - Gross carrying amount	6,049,457	163,069,682	23,279,757	186,349,439	1,892,129	1,922,786	1,053,910	370,538	5,239,363	197,638,259
Accumulated depreciation and impairment	(471,433)	(35,619,439)	(654,217)	(36,273,656)	(886,400)	(329,941)	(719,638)	(250,422)	(2,186,401)	(38,931,490)
Net carrying amount at 1 July 2021	**5,578,024**	**127,450,243**	**22,625,540**	**150,075,783**	**1,005,729**	**1,592,845**	**334,272**	**120,116**	**3,052,962**	**158,706,769**
At 30 June 2022										
At cost - Gross carrying amount	6,244,793	178,728,299	29,050,680	207,778,979	1,960,719	2,246,013	1,139,584	442,251	5,788,567	219,812,339
Accumulated depreciation and impairment	(506,385)	(39,195,228)	(1,052,922)	(40,248,150)	(999,807)	(410,981)	(787,097)	(309,154)	(2,507,039)	(43,261,574)
Net carrying amount at 30 June 2022	**5,738,408**	**139,533,071**	**27,997,758**	**167,530,829**	**960,912**	**1,835,032**	**352,487**	**133,097**	**3,281,528**	**176,550,765**

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

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

		Infrastructure systems			Plant and equipment					
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Rolling stock	Buses	Ferries	Total	Total property, plant and equipment
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
At 30 June 2023										
Net carrying amount at start of year	5,738,408	139,533,071	27,997,758	167,530,829	960,912	1,835,032	352,487	133,097	3,281,528	176,550,765
Additions	1,061,900	6,799,940	6,815,266	13,615,206	126,953	13,258	51,541	20,946	212,698	14,889,804
Recognition of assets	-	3,912	-	3,912	280	-	-	-	280	4,192
Revaluation increment/(decrement) recognised in equity	(82,774)	19,787,656	2,432,122	22,219,778	(221)	246,549	(18,513)	11,536	239,351	22,376,355
Revaluation increment/(decrement) recognised in net result	(1,006,748)	-	-	-	-	-	-	-	-	(1,006,748)
Disposals	(91,177)	(75,090)	-	(75,090)	(2,174)	-	(128)	(105)	(2,407)	(168,674)
Impairment (losses)/reversals	-	-	-	-	-	-	-	(144)	(144)	(144)
Assets transferred (to)/from non-current assets held for sale	(153,812)	-	-	-	-	-	-	-	-	(153,812)
Reclassification between PPE classes	122,232	35,493	(796,753)	(761,260)	(1,698)	708,033	(7,284)	14,383	713,434	74,406
Reclassifications (to)/from intangible assets	-	(9,489)	(31,498)	(40,987)	(95,260)	-	(138)	-	(95,398)	(136,385)
Depreciation expense	(39,305)	(2,399,346)	(246,414)	(2,645,760)	(153,845)	(72,587)	(38,809)	(13,139)	(278,380)	(2,963,445)
Increase/(decrease) in net assets from equity transfer	2,416	6,053	-	6,053	-	-	-	-	-	8,469
Transfer (to)/from councils, NSW government agencies & other parties	(1,296)	250,478	(173,972)	76,506	(4,814)	-	-	-	(4,814)	70,396
Net carrying amount as at 30 June 2023	**5,549,844**	**163,932,678**	**35,996,509**	**199,929,187**	**830,133**	**2,730,285**	**339,156**	**166,574**	**4,066,148**	**209,545,179**

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

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

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

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

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

		Infrastructure systems		
	Land and buildings	Road and maritime systems	Rail systems	Total property, plant and equipment
	$ '000	$ '000	$ '000	$ '000
At 1 July 2022				
Gross carrying amount	1,441,383	386,387	-	1,827,770
Accumulated depreciation and impairment	(2,266)	-	-	(2,266)
Net carrying amount at 1 July 2022	**1,439,117**	**386,387**	**-**	**1,825,504**
At 30 June 2023				
Gross carrying amount	1,393,717	387,116	2,834	1,783,667
Accumulated depreciation and impairment	(1,931)	-	-	(1,931)
Net carrying amount at 30 June 2023	**1,391,786**	**387,116**	**2,834**	**1,781,736**
At 1 July 2021				
Gross carrying amount	1,062,895	376,916	-	1,439,811
Accumulated depreciation and impairment	(1,413)	-	-	(1,413)
Net carrying amount at 1 July 2021	**1,061,482**	**376,916**	**-**	**1,438,398**
At 30 June 2022				
Gross carrying amount	1,441,383	386,387	-	1,827,770
Accumulated depreciation and impairment	(2,266)	-	-	(2,266)
Net carrying amount at 30 June 2022	**1,439,117**	**386,387**	**-**	**1,825,504**

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

		Infrastructure Systems		
	Land and buildings	Road and maritime systems	Rail systems	Total property, plant and equipment
	$ '000	$ '000	$ '000	$ '000
At 30 June 2023				
Net carrying amount at start of year	1,439,117	386,387	-	1,825,504
Reclassification between PPE classes	(77,240)	-	2,834	(74,406)
Depreciation expense	(811)	-	-	(811)
Revaluation increment recognised in equity	4,405	729	-	5,134
Revaluation increment/(decrement) recognised in net result	26,315	-	-	26,315
Net carrying amount at 30 June 2023	**1,391,786**	**387,116**	**2,834**	**1,781,736**
At 30 June 2022				
Net carrying amount at start of year	1,061,482	376,916	-	1,438,398
Reclassification between PPE classes	89,101	-	-	89,101
Depreciation expense	(811)	-	-	(811)
Revaluation increment recognised in equity	289,345	9,471	-	298,816
Net carrying amount at 30 June 2022	**1,439,117**	**386,387**	**-**	**1,825,504**

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

Recognition and measurement

(i) Property, plant and equipment

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

(ii) Acquisition of property, plant and equipment

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

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

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

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

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

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

(iii) Valuation of property, plant and equipment

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

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

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

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

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

Recognition and measurement (cont'd)

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

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

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

(iv) Revaluation of property, plant and equipment

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

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

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

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

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

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

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

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ from carrying value in accordance with NSW Treasury policy and guidelines paper (TPP 21-09). Each entity within the group undertakes their own assessment to comprehensively revalue a class of assets more frequently. Indices relating to 30 June are published after the balance date each year, once available, these indices are applied and reflected in the carrying amount of the asset values as an adjusting event.

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

Recognition and measurement (cont'd)

(v) Impairment of property, plant and equipment

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

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

(vi) Depreciation of property, plant and equipment

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

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

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

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

Depreciation Rates	**Useful Lives**
Rail systems	8-100 years
Road systems	3-100 years
Maritime systems	1-80 years
Rolling stock	25-35 years
Buildings	10-99 years
Owned buses	20-25 years
Ferries	20-80 years
Plant and equipment	2-50 years

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

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

Recognition and measurement (cont'd)

(vii) Right of use assets acquired by lessees

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

Further information on leases is contained at Note 15.

(viii) Major inspection costs

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

(ix) Restoration costs

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

(x) Maintenance

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

(xi) Derecognition

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

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

(xii) Service concession assets

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

Based on the consolidated entity's assessment, the following arrangements fall within the scope of AASB 1059 *Service Concession Arrangements: Grantors*:

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

Recognition and measurement (cont'd)

(xii) Service concession assets (cont'd)

Description	Service concession arrangement 1	Service concession arrangement 2
Name & description of SCA	Toll roads (group of SCAs)	Sydney Light Rail (SLR) services
Period of the arrangement	There are a number of toll road SCAs. The period of the concessions range from 28 to 51 years.	From December 2014 until March 2036 (20.8 years for Inner West Light Rail and 15.8 years for CBD & South East Light Rail)
Terms of the arrangement	The consolidated entity has entered contracts with private operators to perform services in exchange for the right to operate (and collect revenue from) a number of toll roads in New South Wales (excluding Sydney Harbour Tunnel, which is an operation and maintenance agreement). The contracts relate to the following toll roads: M2 Motorway, M5 South-West Motorway, Eastern Distributor, Cross City Tunnel, Westlink M7 Motorway, M7 Widening, M7-M12 Interchange, Lane Cove Tunnel, NorthConnex, and WestConnex Stages 1 & 2 and 3A.	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	The operators are responsible for various services including the following: financing, design, construction, operation, maintenance and repair of toll roads. The operators have the right to collect and retain tolls and levies during the concession period. Under some arrangements, the consolidated entity is entitled to a share of the tolling revenue where certain conditions are met. At the end of the concession period, the toll road assets are always returned to the consolidated entity. Toll roads are state classified roads for which Transport for NSW 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. The consolidated entity regulates the determination of tolls and establishes pricing policies.	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. 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.
Changes in arrangements in 2023	The service concession arrangement with the Sydney Harbour Tunnel Company Ltd ended on 31 August 2022 and a new service concession arrangement was entered into 1 September 2022 with another private party for the operation and maintenance of Sydney Harbour Tunnel.	None
Changes in arrangements in 2022	None	None

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

Recognition and measurement (cont'd)

(xii) Service concession assets (cont'd)

Description	Service concession arrangement 3	Service concession arrangement 4
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	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. 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.	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. 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.
Changes in arrangements in 2023	None	None
Changes in arrangements in 2022	None	None

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

Recognition and measurement (cont'd)

(xii) Service concession assets (cont'd)

Description	Service concession arrangement 5	Service concession arrangement 6
Name & description of SCA	Sydney Road Assets Performance (SRAP) contracts	Sydney Metro Northwest Line and Sydney Metro City & Southwest
Period of the arrangement	July 2021 to June 2030. The consolidated entity has the option to extend the expiry date for an additional 3 years twice (3 years + 3 years) unless terminated prior.	September 2014 to May 2034 (19.8 years)
Terms of the arrangement	The consolidated entity has entered into contracts with three private parties (service providers) based on zoning to deliver key road maintenance and capital projects across the Greater Sydney state road network. The consolidated entity, as the owner of the assets, will determine the strategic direction for its own assets and provide the service providers with an Asset Management Brief which details the outcomes required in the form of key performance indicators. The service providers must manage the assets accordingly including developing and delivering programs of routine maintenance, capital renewals and asset improvements to achieve these outcomes and progressively take on increased levels of risk in relation to asset performance over the contract term.	The consolidated entity has entered into a contract with a private operator to provide rail services for the Sydney Metro Northwest Line and the Sydney Metro City & Southwest Line.
Rights and obligations	The service providers are managing significant services in relation to Greater Sydney under the Asset Management brief at its own discretion.	The operator is responsible for the design, construction, operation and maintenance of the Northwest Line and the Sydney Metro City & Southwest Line (metro lines). 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. 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.
Changes in arrangements in 2023	None	None
Changes in arrangements in 2022	The service concession arrangement commenced in July 2021.	The service concession financial liability was remeasured in September 2021 due to a change in the Conditional Debt Pay Down payment date.

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

Recognition and measurement (cont'd)

(xii) Service concession assets (cont'd)

Description	Service concession arrangement 7
Name & description of SCA	Sydney Metro Western Sydney Airport metro project
Period of the arrangement	December 2022 to April 2042 (19.3 years)
Terms of the arrangement	The consolidated entity has entered into an arrangement with a private operator to construct and operate a new rail line that will service Greater Western Sydney and the new Western Sydney International Airport. Design and construction began in December 2022, and the line is expected to open in April 2027.
Rights and obligations	The operator is responsible for the design, construction, operation and maintenance of the Greater Western Sydney and the new Western Sydney International Airport rail services. Upon construction completion and operational commencement, the operator is required to deliver a safe and reliable metro passenger service between St Mary's Station and Aerotropolis Station. The operator is required to hand back the residual interest of the assets in the project at the end of the project term. 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.
Changes in arrangements in 2023	The service concession arrangement commenced in December 2022.
Changes in arrangements in 2022	Not applicable

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

Recognition and measurement (cont'd)

(xii) Service concession assets (cont'd)

Service concession assets – net carrying amount of property, plant and equipment

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

Consolidated		Infrastructure systems			Plant and equipment				
	Land and buildings $ '000	Road and maritime systems $ '000	Rail systems $ '000	Total $ '000	Plant and equipment $ '000	Rolling stock $ '000	Ferries $ '000	Total $ '000	Total property, plant and equipment $ '000
At 30 June 2023									
Service concession arrangement 1 – Toll roads	158,182	30,171,132	-	30,171,132	4,196	-	-	4,196	30,333,510
Service concession arrangement 2 – SLR services	157,423	44,582	2,060,596	2,105,178	13,583	634,882	-	648,465	2,911,066
Service concession arrangement 3 – Ferry system contract	19,681	-	-	-	3,584	-	139,584	143,168	162,849
Service concession arrangement 4 – B-Line carparks	27,158	-	-	-	-	-	-	-	27,158
Service concession arrangement 5 – SRAP contracts	-	28,156,240	-	28,156,240	-	-	-	-	28,156,240
Service concession arrangement 6 – Sydney Metro Northwest and City & Southwest	232,276	-	11,989,413	11,989,413	15,333	1,749,790	-	1,765,123	13,986,812
Service concession arrangement 7 – Sydney Metro West Sydney Airport	-	-	624,128	624,128	-	-	-	-	624,128
Net carrying amount	**594,720**	**58,371,954**	**14,674,137**	**73,046,091**	**36,696**	**2,384,672**	**139,584**	**2,560,952**	**76,201,763**
At 30 June 2022									
Service concession arrangement 1 – Toll roads	140,189	28,038,743	-	28,038,743	4,609	-	-	4,609	28,183,541
Service concession arrangement 2 – SLR services	141,824	38,570	1,919,009	1,957,579	15,596	678,123	-	693,719	2,793,122
Service concession arrangement 3 – Ferry system contract	13,219	-	-	-	3,768	-	133,098	136,866	150,085
Service concession arrangement 4 – B-Line carparks	38,042	-	-	-	-	-	-	-	38,042
Service concession arrangement 5 – SRAP contracts	-	21,184,300	-	21,184,300	-	-	-	-	21,184,300
Service concession arrangement 6 – Sydney Metro Northwest and City & Southwest	244,794	-	10,777,496	10,777,496	16,541	785,970	-	802,511	11,824,801
Net carrying amount	**578,068**	**49,261,613**	**12,696,505**	**61,958,118**	**40,514**	**1,464,093**	**133,098**	**1,637,705**	**64,173,891**

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 *Service Concession Arrangements: Grantors*, 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* 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 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 *Service Concession Arrangements: Grantors* to the appropriate approach under AASB 13 *Fair Value Measurement* principles.
- The asset is only derecognised when the consolidated entity loses control of the asset in accordance with AASB 116 *Property, Plant and Equipment*.

15. Leases

(a) Consolidated entity as a lessee

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

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

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of $10.8 million (2022: $14.0 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised right of use assets of $1.6 million (2022: $358.9 million) and decrease in lease liabilities of $1.5 million (2022: $361.3 million).

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

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

Property and Development NSW occupancy agreement

The consolidated entity carries the responsibility to make good, and to control the fit-out during the remaining occupancy in relation to the office accommodation arrangements with Property and Development NSW (PDNSW) as it receives the economic benefits via using the fit-out or expected compensation from PDNSW upon relocation.

15. Leases (cont'd)

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

Right of use assets under leases

	Notes	Land and buildings $ '000	Plant and equipment $ '000	Rolling stock $ '000	Buses $ '000	Rail operating assets[1] $ '000	Total $ '000
At 30 June 2023							
Net carrying amount at start of year		328,375	113,175	1,682,427	730,855	3,221,953	6,076,785
Additions		41,251	27,455	-	79,980	895,557	1,044,243
Disposals		(7,107)	(1,687)	-	(2,043)	-	(10,837)
Impairment losses	5	-	-	-	(14,140)	-	(14,140)
Depreciation	2(e)	(10,562)	(22,096)	(73,898)	(101,094)	(457,222)	(664,872)
Re-measurement of leases		2,932	6,432	-	(105)	-	9,259
Other movements		(13,904)	(22,155)	-	-	-	(36,059)
Balance at 30 June 2023		**340,985**	**101,124**	**1,608,529**	**693,453**	**3,660,288**	**6,404,379**
At 30 June 2022							
Net carrying amount at start of year		1,018,093	120,085	1,754,765	736,436	-	3,629,379
Additions		112,279	34,712	-	93,226	3,981,850	4,222,067
Disposals		(16,511)	(163)	-	(21)	-	(16,695)
Depreciation	2(e)	(85,084)	(26,800)	(73,832)	(103,437)	(394,663)	(683,816)
Re-measurement of leases		10,561	3,019	-	9,417	(365,234)	(342,237)
Other movements		(14,211)	(17,678)	1,494	(4,766)	-	(35,161)
Derecognition of right of use assets[2]	5	(696,752)	-	-	-	-	(696,752)
Balance at 30 June 2022		**328,375**	**113,175**	**1,682,427**	**730,855**	**3,221,953**	**6,076,785**

[1]The consolidated entity entered into commercial agreements with TAHE for licence and access fees on rail operating assets commencing 1 July 2021 which are reviewed on an annual basis. The revisions to the commercial agreements with TAHE in the current year resulted in a nil (2022: $365.2 million) net decrease in right of use rail operating assets.

[2] Derecognition of right of use assets in relation to the property leases with Property and Development NSW as at 30 June 2022.

15. Leases (cont'd)

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

Lease liabilities

The following table presents liabilities under leases:

	Notes	Consolidated 2023 $ '000	Consolidated 2022 $ '000
Balance at 1 July		6,304,693	3,859,709
Additions[1]		1,044,238	4,221,914
Interest expenses	2(g)	316,168	307,634
Payments		(922,506)	(911,078)
Re-measurement of leases[2]		(1,462)	(361,260)
Other movements		-	(11,367)
Derecognition of lease liabilities[3]	5	-	(800,859)
Balance at 30 June	19	**6,741,131**	**6,304,693**

[1] Additions mainly relate to rail operating assets leased from TAHE $895.6 million (2022: $3,992.2 million).

[2] Annual revisions to the commercial terms with TAHE resulted in a nil decrease in the lease liabilities in relation to rail operating assets (2022: $358.6 million).

[3] Derecognition of lease liabilities in relation to the property leases with Property and Development NSW as at 30 June 2022.

The following amounts were recognised in the Statement of comprehensive income for the year ending 30 June 2023 and 30 June 2022 in respect of leases where the consolidated entity is the lessee.

	Notes	Consolidated 2023 $ '000	Consolidated 2022 $ '000
Depreciation of right of use assets	2(e)	664,872	683,816
Interest expense on lease liabilities	2(g)	316,168	307,634
Expense relating to short-term leases	2(b)	4,001	1,501
Expenses relating to leases of low-value assets	2(b)	72	667
Variable lease payments, not in lease liabilities	2(b)	8,881	7,786
Gains arising from derecognition of right use assets and lease liabilities	5	-	(104,107)
Total amount recognised in the Statement of comprehensive income		**993,994**	**897,297**

The consolidated entity had total cash outflows for leases of $935.5 million (2022: $921.0 million).

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

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

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

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

15. Leases (cont'd)

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

Recognition and measurement

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

(i) Right of use assets

The consolidated entity recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are initially measured at the amount of initial measurement of the lease liability (refer to iii 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 20 to 25 years
- Rail operating assets 10 years

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

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

(ii) Impairment losses for right of use assets

The consolidated entity recognised $14.1 million impairment loss for right of use assets during the 2023 financial year (2022: nil). The impairment loss is recognised in Note 5 Other gains/(losses). 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*.

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 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	2023 Buses $'000	2023 Total $'000	2022 Buses $'000	2022 Total $'000
Fair value less costs of disposal:				
Level 1	-	-	-	-
Level 2	-	-	-	-
Level 3	693,453	693,453	730,855	730,855
Total fair value	**693,453**	**693,453**	**730,855**	**730,855**

The discount rate ranges employed in present value technique computations of recoverable amounts at 30 June 2023 and 30 June 2022 are 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 at the valuation date.

(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.

15. Leases (cont'd)

(a) Consolidated 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.

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

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

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

(b) Consolidated entity as a lessor

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

Lessor for finance leases

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

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

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

In 2023 and 2022, the consolidated entity was not a lessor for finance leases.

15. Leases (cont'd)

(b) Consolidated entity as a lessor

Recognition and measurement (cont'd)

Lessor for operating lease

Future minimum rentals receivables (undiscounted) under non-cancellable operating leases as at 30 June 2023 and 30 June 2022 are as follows:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Within one year	54,757	55,548
One to two years	43,882	49,624
Two to three years	37,982	44,253
Three to four years	29,913	40,051
Four to five years	20,859	30,301
Later than five years	294,939	317,525
Total (excluding GST)	**482,332**	**537,302**

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.

16. Intangible assets

Consolidated	Notes	Intangible assets $'000	Biodiversity credits $'000	Work in progress $'000	Total intangibles $'000
At 1 July 2022					
Cost (gross carrying amount)		1,890,862	68,914	658,242	2,618,018
Accumulated amortisation and impairment		(1,279,712)	-	-	(1,279,712)
Net carrying amount at 1 July 2022		**611,150**	**68,914**	**658,242**	**1,338,306**
At 30 June 2023					
Cost (gross carrying amount)		2,140,955	78,274	740,788	2,960,017
Accumulated amortisation and impairment		(1,476,871)	-	-	(1,476,871)
Net carrying amount at 30 June 2023		**664,084**	**78,274**	**740,788**	**1,483,146**
At 1 July 2021					
Cost (gross carrying amount)		1,696,190	76,294	450,231	2,222,715
Accumulated amortisation and impairment		(1,123,293)			(1,123,293)
Net carrying amount at 1 July 2021		**572,897**	**76,294**	**450,231**	**1,099,422**
At 30 June 2022					
Cost (gross carrying amount)		1,890,862	68,914	658,242	2,618,018
Accumulated amortisation and impairment		(1,279,712)	-	-	(1,279,712)
Net carrying amount at 30 June 2022		**611,150**	**68,914**	**658,242**	**1,338,306**

At 30 June 2023					
Net carrying amount at start of year		611,150	68,914	658,242	1,338,306
Additions		-	10,842	294,798	305,640
Disposals	4	(1,743)	-	(21,441)	(23,184)
Reclassification between intangible assets		182,372	-	(182,372)	-
Reclassifications (to)/from PPE	14	147,915	(3,091)	(8,439)	136,385
Reclassifications (to)/from other assets			1,609		1,609
Impairment (losses)/reversals	5	5,006	-	-	5,006
Amortisation	2(e)	(265,289)	-	-	(265,289)
Transfer to other government agencies		(15,327)	-	-	(15,327)
Net carrying amount at 30 June 2023		**664,084**	**78,274**	**740,788**	**1,483,146**
At 30 June 2022					
Net carrying amount at start of year		572,897	76,294	450,231	1,099,422
Additions		-	8,444	254,436	262,880
Disposals	4	(7,643)	-	(1,660)	(9,303)
Retirements		-	(8,430)	-	(8,430)
Reclassification between intangible assets		175,338	-	(175,338)	-
Reclassifications (to)/from PPE	14	73,723	(7,394)	132,776	199,105
Impairment (losses)/reversals	5	1,461	-	-	1,461
Amortisation	2(e)	(204,626)	-	-	(204,626)
Increase/(decrease) in net assets from equity transfer	29(a)	-	-	(2,203)	(2,203)
Net carrying amount at 30 June 2022		**611,150**	**68,914**	**658,242**	**1,338,306**

There were nil (2022: nil) intangible assets held by the parent.

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
At 30 June 2023			
Service concession arrangement 2 – SLR services	38,991	-	38,991
Service concession arrangement 3 – Ferry system contract	31,167	2,305	33,472
Net carrying amount	**70,158**	**2,305**	**72,463**
At 30 June 2022			
Service concession arrangement 2 – SLR services	41,821	-	41,821
Service concession arrangement 3 – Ferry system contract	26,489	838	27,327
Net carrying amount	**68,310**	**838**	**69,148**

(a) Initial recognition

For arrangements within the scope of AASB 1059 *Service Concession Arrangements: Grantors* (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 consolidated entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* (AASB 13) 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.

16. Intangible assets (cont'd)

Recognition and measurement (cont'd)

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

(b) Subsequent to initial recognition

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

(c) At the end of the arrangement

At the end of the service concession arrangement:

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

17. Fair value measurement of non-financial assets

(a) Fair value hierarchy

Fair value measurements recognised in the Statement of financial position are categorised into the following levels at 30 June 2023.

2023	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Land and buildings	14	**-**	**5,456,535**	**1,275,363**	**6,731,898**
Plant and equipment		-	-	17,678	17,678
Rolling stock		-	-	2,729,535	2,729,535
Buses		-	-	277,784	277,784
Ferries		-	-	146,169	146,169
Plant and equipment	14	**-**	**-**	**3,171,166**	**3,171,166**
Road and maritime systems		-	-	164,319,794	164,319,794
Rail systems		-	-	35,999,343	35,999,343
Infrastructure systems	14	**-**	**-**	**200,319,137**	**200,319,137**
Non-current assets held for sale	12	**-**	**67,046**	**-**	**67,046**
Fair value at 30 June 2023		**-**	**5,523,581**	**204,765,666**	**210,289,247**

Fair value measurements recognised in the Statement of financial position are categorised into the following levels at 30 June 2022.

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

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 *Fair Value Measurement*, the consolidated entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

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

(b) Valuation techniques

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

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

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

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

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

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

(c) Valuation processes and inputs

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

- Roads, bridges and tunnels (excluding tolled motorways) in Transport for NSW were valued by Deloitte.
- Land and building in Sydney Ferries were valued by Opteon Solutions.
- Ferries in Sydney Ferries and Transport for NSW were valued by AON Risk Services.

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

- Service concession roads, bridges and tunnels in Transport for NSW were valued by applying the annual movement of the Roads and Bridge Construction Index (RBCI).
- Traffic controls network, traffic signals network and maritime assets in Transport for NSW were valued by applying the relevant indices.
- Rolling stock and infrastructure rail assets in Transport for NSW were reviewed for the movement in appropriate indices.
- Land under roads and tracks in Transport for NSW were valued at open space rate using Valuer General's Information.
- Sydney Metro Northwest land assets were valued by Colliers.
- Sydney Metro Northwest rail infrastructure assets and rolling stock were valued by E3 Advisory Pty Ltd.
- Sydney Metro rail infrastructure assets under construction were revalued by applying the relevant indices.

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** – current replacement costs, construction costs, length of the tracks, overhead power and stabling yards, depreciation methods, expected useful life and remaining life, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Trackwork and other rail infrastructure assets** – raw materials and labour rates, pricing for tracks/wiring, construction methodology, structural foundations, and other specific allowances were estimated by the external valuer to establish the optimised replacement cost of each asset, taking into consideration historical data, existing assets and current railway infrastructure technologies. Indexation factors are determined based on selected Australian Bureau of Statistics indices applicable to the construction industry.

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

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

- **Other rolling stock** - prices from relevant contracts awarded for the manufacture of the asset, international transportation costs, structural modification costs and replacement cost are estimated by the external valuer, based on replacement costs of both domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence and qualitative attractiveness of the fleet sub types relative to the modern equivalent. International prices and exchange rates are adjusted for international transportation costs or structural modifications. Technical data and remaining life of rolling stock were confirmed by the engineering staff of Sydney Trains and Transport for NSW.
- **Road infrastructure (including toll roads and service concession assets under SRAP contracts)** - 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.
- **Owned buses** – current replacement cost estimates are based on the most recent cost prices for the buses and current Transport for NSW Bus Procurement Panel pricing for Rural and Regional Urban and School bus types, as quoted by numerous chassis and bus providers. End of life residual value, exponential decay curve and disposal costs were estimated by the external valuer based on the current market sales evidence and common valuation practice for buses.
- **Non-current asset held for sale** - rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.
- **Leasehold improvement make good** - restoration cost per square metre, inflation rate, market yield on Government bonds, lease terms are estimated and obtained by management.

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

During the year, the consolidated entity transferred land and buildings and infrastructure assets in Transport for NSW and Sydney Ferries 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).

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

(d) Reconciliation of recurring Level 3 fair value measurement

	Land and buildings	Plant and equipment	Rolling stock	Buses	Ferries	Road and maritime systems	Rail systems	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
2023								
Fair value as at 1 July	1,338,212	21,475	1,743,398	324,775	131,592	139,919,458	27,997,758	171,476,668
Additions	936,159	-	12,795	-	1,902	6,799,940	6,815,266	14,566,062
Revaluation increment/(decrement) recognised in net result	(817,455)	-	-	-	-	-	-	(817,455)
Revaluation increment/(decrement) recognised in equity	(79,604)	(658)	246,549	(18,513)	11,536	19,788,385	2,432,122	22,379,817
Transfer (to)/from Level 2	9,116	-	-	-	-	(7,141)	(34,165)	(32,190)
Transfer (to)/from councils, NSW government agencies & other parties	2,290	-	-	-	-	250,478	(173,972)	78,796
Recognition of assets	-	-	-	-	-	3,912	-	3,912
Disposals	(90,000)	-	-	(128)	(105)	(75,090)	-	(165,323)
Depreciation expense	(26,321)	(3,875)	(72,587)	(38,809)	(13,139)	(2,399,346)	(246,414)	(2,800,491)
Reclassification (to)/from other assets	-	736	-	-	-	(9,489)	(31,498)	(40,251)
Reclassification between PPE classes	2,966	-	799,380	10,459	14,383	42,634	(759,754)	110,068
Increase/(decrease) in net assets from equity transfer	-	-	-	-	-	6,053	-	6,053
Fair value at 30 June 2023	**1,275,363**	**17,678**	**2,729,535**	**277,784**	**146,169**	**164,319,794**	**35,999,343**	**204,765,666**

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

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

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

18. Payables

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Trade creditors	509,146	243,042	1,974	1,509
Accrued salaries, wages and on-costs	96,577	111,140	1,214	856
Accruals	2,980,197	2,480,808	271	265
Creditors arising from compulsory acquisitions	119,972	753,004	-	-
Other creditors	18,999	16,086	1,814	18
Current payables	**3,724,891**	**3,604,080**	**5,273**	**2,648**

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

2022 had $412.4 million accruals reclassified to creditors arising from compulsory acquisitions within payables to reflect the nature of the transactions more accurately.

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

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Lease liabilities	562,510	474,287	-	-
Service concession financial liabilities[1]	805,913	262,013	-	-
Financial liabilities at fair value	2,022	798	-	-
Other financial liabilities at amortised cost	6,856	-	-	-
Current borrowings	**1,377,301**	**737,098**	**-**	**-**
Lease liabilities	6,178,621	5,830,406	-	-
Service concession financial liabilities[1]	3,658,739	3,563,003	-	-
Other financial liabilities at amortised cost	590,306	491,926	-	-
Financial liabilities at fair value	-	81	-	-
Non-current borrowings	**10,427,666**	**9,885,416**	**-**	**-**

[1]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 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Not later than one year	1,377,301	737,098	-	-
Later than one year and not later than five years	4,356,238	5,249,425	-	-
Later than five years	6,071,428	4,635,991	-	-
Repayment of borrowings	**11,804,967**	**10,622,514**	**-**	**-**

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

19. Borrowing (cont'd)

Recognition and measurement

(i) Borrowings

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

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

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

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

(ii) Financial liabilities at fair value

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

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

(a) the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or

(b) The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

(c) the liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

The consolidated entity has not designated any financial liabilities 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.

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 2023 and as at 30 June 2022. However, refer to Note 24 regarding disclosures on contingent liabilities.

Changes in liabilities arising from financing activities

	Lease liabilities	Service concession arrangements	Financial liabilities at fair value	Financial liabilities at amortised cost	Total liabilities from financing activities
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2022	6,304,693	3,825,016	879	491,926	10,622,514
Cash flows	(922,506)	(320,599)	-	-	(1,243,105)
Additions during the year[1]	1,044,238	827,023	-	76,661	1,947,922
Interest expense	316,168	131,790	-	28,575	476,533
Re-measurement of leases	(1,462)	-	-	-	(1,462)
Other	-	1,422	1,143	-	2,565
Balance at 30 June 2023	**6,741,131**	**4,464,652**	**2,022**	**597,162**	**11,804,967**
Balance at 1 July 2021	3,859,709	5,414,333	2,812	354,684	9,631,538
Cash flows	(911,078)	(1,942,903)	-	-	(2,853,981)
Additions during the year	4,221,914	282,445	-	113,059	4,617,418
Interest expense	307,634	71,141	-	24,183	402,958
Re-measurement of leases	(361,260)	-	-	-	(361,260)
Derecognition of leases	(800,859)	-	-	-	(800,859)
Other	(11,367)	-	(1,933)	-	(13,300)
Balance at 30 June 2022	**6,304,693**	**3,825,016**	**879**	**491,926**	**10,622,514**

[1] Additions in 2023 mainly relate to the rail operating assets leased from TAHE $895.6 million and City and Southwest and Western Sydney Airport service concession financial liabilities $802.3 million. Additions in 2022 mainly relate to rail operating assets leased from TAHE $3,981.8 million.

There were no changes in liabilities from financing activities arising in respect of the parent (2022: nil).

The following reclassifications within changes in liabilities arising from financing activities were made in 2022 to more accurately reflect the nature of the transactions:

1) $71.1 million of other reclassified to interest expense in the service concession arrangements category
2) $8.7 million interest expense reclassified to additions during the year for the service concession arrangements category
3) $24.1 million additions during the year reclassified to interest expense in the financial liabilities at amortised cost category

20. Employee benefits

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Annual leave[1]	500,318	471,881	5,227	5,056
Long service leave[1]	370,732	343,651	916	1,067
Workers compensation insurance	27,235	29,114	-	-
Payroll tax	11,906	9,635	1,064	640
Public holidays	16,838	15,267	-	-
Severance payments/redundancies	4,194	5,932	-	-
Current employee benefits and related on-costs	**931,223**	**875,480**	**7,207**	**6,763**
Long service leave	27,816	24,687	111	115
Workers compensation insurance	71,118	78,865	-	-
Superannuation	360,947	425,175	-	-
Severance payments/redundancies	5,905	8,304	-	-
Non-current employee benefits and related on-costs	**465,786**	**537,031**	**111**	**115**
Employee benefits - current	931,223	875,480	7,207	6,763
Employee benefits - non-current	465,786	537,031	111	115
Accruals - salaries and on-costs	96,577	111,140	1,214	856
Total employee benefits and related on-costs	**1,493,586**	**1,523,651**	**8,532**	**7,734**

[1] It is estimated that the provision for annual leave includes $162.2 million (2022: $203.8 million) and the provision for long service leave includes $330.0 million (2022: $280.0 million) that is expected to be taken more than 12 months after the balance date.

Recognition and measurement

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

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

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

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

(ii) Long service leave and superannuation

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

20. Employee benefits (cont'd)

Recognition and measurement (cont'd)

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

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

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

Apart from the parent entity and some 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.

20. Employee benefits (cont'd)

Year ended 30 June 2023	**SASS**	**SANCS**	**SSS**	**Total**
Member numbers				
Contributors	988	988	-	
Deferred benefits	-	-	-	
Pensioners	509	-	5	
Pensions fully commuted	-	-	-	
	$'000	**$'000**	**$'000**	**$'000**
Superannuation position for AASB 119 purposes				
Accrued liability[1]	1,290,884	97,376	7,230	1,395,490
Estimated reserve account balance	(952,611)	(78,271)	(3,661)	(1,034,543)
Deficit/(surplus)	**338,273**	**19,105**	**3,569**	**360,947**
Future service liability[2]	5,931	17,432	-	23,363
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of financial position	**338,273**	**19,105**	**3,569**	**360,947**

Year ended 30 June 2022	**SASS**	**SANCS**	**SSS**	**Total**
Member numbers				
Contributors	1,092	1,092	-	
Deferred benefits	-	-	-	
Pensioners	470	-	5	
Pensions fully commuted	-	-	-	
	$'000	**$'000**	**$'000**	**$'000**
Superannuation position for AASB 119 purposes				
Accrued liability[1]	1,329,702	102,879	7,562	1,440,143
Estimated reserve account balance	(935,323)	(76,040)	(3,605)	(1,014,968)
Deficit/(surplus)	**394,379**	**26,839**	**3,957**	**425,175**
Future service liability[2]	8,005	20,323	-	28,328
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of financial position	**394,379**	**26,839**	**3,957**	**425,175**

[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)

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' benefits are adequately protected.

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

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

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

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

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

- **Description of risks**

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

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

20. Employee benefits (cont'd)

- **Description of risk (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)**

Year ended 30 June 2023	SASS	SANCS	SSS	Total
	$ '000	$ '000	$ '000	$ '000
Net defined benefit liability/(asset) at start of year	394,379	26,839	3,957	425,175
Current service cost	2,604	3,254	-	5,858
Net interest on the net defined benefit liability/(asset)	14,299	869	147	15,315
Actual return on Fund assets less interest income	(50,388)	(4,174)	(199)	(54,761)
Actuarial (gains)/losses from changes in financial assumptions	(36,651)	(1,189)	(308)	(38,148)
Actuarial (gains)/losses from liability experience	27,772	64	(28)	27,808
Employer contributions	(13,742)	(6,558)	-	(20,300)
Net defined benefit liability/(asset) at end of year	**338,273**	**19,105**	**3,569**	**360,947**

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

20. Employee benefits (cont'd)

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

Year ended 30 June 2023	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Fair value of fund assets at beginning of the year	935,323	76,040	3,605	1,014,968
interest income	33,107	2,701	127	35,935
Actual return on Fund assets less interest income	50,388	4,174	199	54,761
Employer contributions	13,742	6,558	-	20,300
Contributions by participants	7,328	-	-	7,328
Benefits paid	(82,976)	(9,715)	(285)	(92,976)
Taxes, premiums & expenses paid	(4,301)	(1,487)	15	(5,773)
Fair value of fund assets at end of the year	**952,611**	**78,271**	**3,661**	**1,034,543**

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

- **Reconciliation of the defined benefit obligation**

Year ended 30 June 2023	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Present value of DB obligations at beginning of the year	1,329,702	102,879	7,562	1,440,143
Current service cost	2,604	3,254	-	5,858
Interest cost	47,406	3,570	274	51,250
Contributions by participants	7,328	-	-	7,328
Actuarial (gains)/losses from changes in financial assumptions	(36,651)	(1,189)	(308)	(38,148)
Actuarial (gains)/losses from liability experience	27,772	64	(28)	27,808
Benefits paid	(82,976)	(9,715)	(285)	(92,976)
Taxes, premiums & expenses paid	(4,301)	(1,487)	15	(5,773)
Present value of defined benefit obligations at end of the year	**1,290,884**	**97,376**	**7,230**	**1,395,490**

20. Employee benefits (cont'd)

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

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

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

Year ended 30 June 2023	**SASS $ '000**	**SANCS $ '000**	**SSS $ '000**	**Total $ '000**
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	**-**	**-**	**-**	**-**

Year ended 30 June 2022	**SASS $ '000**	**SANCS $ '000**	**SSS $ '000**	**Total $ '000**
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	**-**	**-**	**-**	**-**

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

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 2023	Total	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs
		Level 1	Level 2	Level 3
Asset category	$ '000	$ '000	$ '000	$ '000
Short term securities	5,330,816	2,896,493	2,434,323	-
Australian fixed interest	100,350	-	100,350	-
International fixed interest	1,301,037	-	1,288,564	12,473
Australian equities	9,678,103	4,352,503	796,671	4,528,929
International equities	14,138,038	13,942,743	155,394	39,901
Property	769,724	-	-	769,724
Alternatives	6,059,199	179	1,206,068	4,852,952
Total	**37,377,267**	**21,191,918**	**5,981,370**	**10,203,979**

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

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.

20. Employee benefits (cont'd)

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

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

	2023 %	2022 %
Short term securities	14.3	13.7
Australian fixed interest	0.3	0.7
International fixed interest	3.5	3.9
Australian equities	25.8	17.6
International equities	37.8	33.0
Property	2.1	6.4
Alternatives	16.2	24.7
Total	**100.0**	**100.0**

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

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

The fair value of the Pooled Fund assets as at 30 June 2023 include nil (2022: nil) 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 $338 million (30 June 2022: $362 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $570 million (30 June 2022: $540 million).

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

	2023	2022
Discount rate	4.07% pa	3.69% pa
Salary increase rate (excluding promotional increases	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter
Rate of CPI increase	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter	4.00% for 21/22; 5.50% for 22/23; 3.00% for 23/24 and 24/25; 2.75% for 25/26 and 26/27; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report on the trustee's website. The report shows the pension mortality rates for each age.	The pensioner mortality assumptions are those used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report on the trustee's website. The report shows the pension mortality rates for each age.

20. Employee benefits (cont'd)

- **Sensitivity analysis**

The consolidated entity's total defined benefit obligation 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 each year.

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 2023	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 ($'000)	1,395,490	1,461,443	1,335,409
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	1,395,490	1,444,060	1,351,088
	Base case	**Scenario E +0.5% Salary increase rate**	**Scenario F -0.5% Salary increase rate**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation ($'000)	1,395,490	1,411,928	1,379,612
	Base case	**Scenario G Higher pensioner mortality rates [1]**	**Scenario H Lower pensioner mortality rates [2]**
Defined benefit obligation ($'000)	1,395,490	1,399,859	1,378,874

[1] Assumes the short term pensioner mortality improvement factors for years 2023-2026 also apply for years after 2026.
[2] Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2023 to 2026.

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

20. Employee benefits (cont'd)

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

Year ended 30 June 2022	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)	1,440,142	1,512,710	1,374,279

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	1,440,142	1,491,587	1,393,230

	Base case	Scenario E +0.5% Salary increase rate	Scenario F -0.5% Salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation ($'000)	1,440,142	1,459,686	1,421,305

	Base case	Scenario G Higher pensioner mortality rates [1]	Scenario H Lower pensioner mortality rates [2]
Defined benefit obligation ($'000)	1,440,142	1,442,831	1,420,998

[1] Assumes the short term pensioner mortality improvement factors for years 2022 - 2026 also apply for years after 2026.
[2] Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for years 2022– 2026.

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

- **Asset-Liability matching strategies**

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

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 2023 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities* (AASB 1056):

Year ended 30 June 2023	**SASS**	**SANCS**	**SSS**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**
Accrued benefits*	1,032,811	84,102	4,783	1,121,696
Net market value of Fund assets	(952,611)	(78,271)	(3,661)	(1,034,543)
Net (surplus)/deficit	**80,200**	**5,831**	**1,122**	**87,153**

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

*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**

Recommended contribution rates for the consolidated entity are:

Year ended 30 June 2023	**SASS**	**SANCS**	**SSS**
	% p.a.	**% p.a.**	**% p.a.**
	n/a	n/a	n/a

Year ended 30 June 2022	**SASS**	**SANCS**	**SSS**
	% p.a.	**% p.a.**	**% p.a.**
	n/a	n/a	n/a

20. Employee benefits (cont'd)

- **Economic assumptions**

The economic assumptions adopted for the 30 June 2023 AASB 1056 are:

Weighted-average assumptions	2023	2022
Expected rate of return on Fund assets backing current pension liabilities	7.0% pa	7.0% pa
Expected rate of return on Fund assets backing other liabilities	6.2% pa	6.2% pa
Expected salary increase rate (excluding promotional salary increases)	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26 and 3.2% pa thereafter
Expected rate of CPI increase	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter	4.8% for 21/22 and 2.5% pa thereafter

- **Movement in AASB 1056 net (surplus)/deficit**

The increase/(decrease) in the net deficit AASB 1056 position from June 2022 to June 2023 was ($5.5 million). The main factors contributing to the decrease and their approximate financial impact have been:

	$'000
Interest on 2021/2022 net (surplus)/deficit (7.0%)	6,487
Higher increase in the 2021/2022 CPI (5.3%) than assumed (4.8%)	1,300
Increase in assumed rates of future short term CPI increases (refer assumptions above)	17,059
Excess of the actual investment return for 2022/2023 (approximately 9.4%) over that assumed (7.0%)	(14,386)
Excess of contributions made (less tax) over the cost of benefit accrual:	(12,411)

These are the main items. Other items would include variations in salary, pensioner mortality and other experience compared to assumptions as well as some changes to the future salary increase assumptions.

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 AASB119, 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.

20. Employee benefits (cont'd)

- **Sensitivity analysis – accrued benefits (cont'd)**

Scenarios A to D relate to the sensitivity of the AASB 1056 liabilities to the major economic assumptions.

Year ended 30 June 2023	Base case	Scenario A -0.5% return	Scenario B +0.5% return
Expected rates of return on Fund assets	7.0%/6.2%	6.5%/5.7%	7.5%/6.7%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued Benefits ($'000)	1,121,696	1,157,302	1,088,806
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Expected rates of return on Fund assets	7.0%/6.2%	7.0%/6.2%	7.0%/6.2%
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Accrued Benefits ($'000)	1,121,696	1,147,248	1,098,119

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

- **Expected contributions**

Year ended 30 June 2023	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Expected employer contributions year	13,742	6,558	-	20,300

Year ended 30 June 2022	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Expected employer contributions year	3,600	16,700	-	20,300

- **Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation is 11 years (2022: 11 years).

20. Employee benefits (cont'd)

- **Profit and loss impact**

Year ended 30 June 2023	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Current service cost	2,604	3,254	-	5,858
Net interest	14,299	869	147	15,315
Defined benefit cost	**16,903**	**4,123**	**147**	**21,173**

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

- **Other comprehensive income**

Year ended 30 June 2023	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Actuarial (gains)/losses on liabilities	(8,879)	(1,125)	(336)	(10,340)
Actual return on Fund assets less interest income	(50,388)	(4,174)	(199)	(54,761)
Total remeasurement in other comprehensive income	**(59,267)**	**(5,299)**	**(535)**	**(65,101)**

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

21. Other provisions

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Ballast disposal[1]	992	1,275	-	-
Land and buildings remediation	126,050	62,092	-	-
Lease make good costs	11,936	9,629	-	-
Legal and related claims[1]	226	226	-	-
Property reimbursement claims[1]	-	12,412	-	-
Public liability claims[1]	4,068	4,167	-	-
Integrated Station Development payment obligations	13,631	33,503	-	-
COVID-19 construction pause	6,918	139,827	-	-
Bid costs	-	130,000	-	-
Other[1]	179,244	33,037	-	-
Current other provisions	**343,065**	**426,168**	**-**	**-**
Land and buildings remediation	8,850	38,818	-	-
Lease make good costs	24,894	22,058	-	-
Provision for biodiversity	52,152	2,642	-	-
Other[1]	14,316	1,100	-	-
Non-current other provisions	**100,212**	**64,618**	**-**	**-**

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

21. Other provisions (cont'd)

Movement in other provisions

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

	Land and buildings remediation $'000	Lease make good costs $'000	Integrated Station Development payment obligations $'000	Provision for biodiversity $'000	COVID-19 construction pause $'000	Bid costs $'000	Others $'000	Total $'000
Carrying amount at the beginning of the financial year	100,910	31,687	33,503	2,642	139,827	130,000	52,217	490,786
Additional provision recognised	106,402	10,200	314	49,510	-	-	181,997	348,423
Amounts used	(52,822)	(974)	(20,186)	-	(132,909)	(130,000)	(24,356)	(361,247)
Unused amounts reversed	(19,882)	(4,693)	-	-	-	-	(11,012)	(35,587)
Unwinding/change in discount rate	292	610	-	-	-	-	-	902
Carrying amount at the end of the financial year	**134,900**	**36,830**	**13,631**	**52,152**	**6,918**	**-**	**198,846**	**443,277**

Land and buildings remediation

The provision of $134.9 million (2022: $100.9 million) represents obligations in relation to contaminated land. This includes $128.2 million (2022: $94.8 million) in relation to work required for Sydney Metro projects.

Lease make good costs

The lease make good provision of $36.8 million (2022: $31.7 million) recognises the consolidated entity's obligations to dismantle, remove and restore items of property, plant and equipment on the leased properties to its original condition at the conclusion of the lease. The amount of the provision is the best estimate of the expenditure required to settle the present obligations, discounted to reflect the present value of such expenditures.

Integrated Station Development payment obligations

The provision of $13.6 million (2022: $33.5 million) represents future payment obligations in relation to Sydney Metro Integrated Station Development arrangements.

Provision for biodiversity

The provision of $52.2 million (2022: $2.6 million) recognises the best estimate of the expenditure required to settle biodiversity credits arising from construction works as well as maintain the required level of biodiversity on land.

COVID-19 construction pause

The provision of $6.9 million (2022: $139.8 million) includes delays and additional cost claims received from the subcontractors as a result of disruptions to construction activity in July 2022. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation including timing of the settlement.

Bid costs

$130.0 million was provided in 2022 for bid costs during the procurement phase of the Western Sydney Airport project. These costs were settled in 2023.

21. Other provisions (cont'd)

Other provisions

Other provisions of $198.8 million (2022: $52.2 million) include the following:

- $0.2 million (2022: $3.4 million) provision for insurance claims to recover the consolidated entity's cost of repair of damaged rolling stock currently under lease with Reliance Rail
- Nil provision remaining (2022: $9.0 million) for damage to properties including tracks, stations as a result of the floods in March 2022 after settlements and reversed of unused provision in the current year
- Other provisions also include legal and related claims from legislative or contractual breaches, compensation and compliance claims, third party property damage, marine damage claims, public risk and other minor provisions.

Recognition and measurement

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

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

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

22. Other liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Grant of right to operate liability under service concessions[1]	605,444	555,180	-	-
Holding accounts[2]	324,349	333,468	-	-
Statutory creditors	30,127	23,546	-	-
Income received in advance	11,105	9,338	-	-
Liability for former employees' leave entitlements	1,406	1,758	-	-
Sydney Harbour Tunnel tax liabilities	-	2,660	-	-
Other[3]	22,049	17,391	-	-
Current other liabilities	**994,480**	**943,341**	**-**	**-**
Grant of right to operate liability under service concessions[1]	16,371,527	16,726,288	-	-
Income received in advance	3,000	-	-	-
Sydney Harbour Tunnel tax liabilities	-	443	-	-
Other[3]	73,437	68,814	-	-
Non-current other liabilities	**16,447,964**	**16,795,545**	**-**	**-**

[1]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.

[2]Holding accounts include E-tag deposits, wetland security deposits, Opal cardholder top-ups and advances.

[3]Other include leasehold incentives which are not recognised as part of the lease liability under AASB 16 Leases.

2022 had the following reclassifications to more accurately reflect the nature of the transactions:

1) $0.2 million of other liabilities – current reclassified to contract liabilities - current
2) $10.0 million of non-current other liabilities reclassified to contract liabilities – non-current.

23. Commitments for expenditure

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
(a) Capital commitments				
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:				
Not later than one year	12,190,969	11,206,556	-	-
Later than one year and not later than five years	11,397,594	6,869,978	-	-
Later than five years	406,231	51,341	-	-
Total (including GST)	**23,994,794**	**18,127,875**	**-**	**-**
(b) Other public and private partnerships contract commitments				
Not later than one year	125,443	100,865	-	-
Later than one year and not later than five years	501,520	402,600	-	-
Later than five years	2,171,006	1,893,556	-	-
Total (including GST)	**2,797,969**	**2,397,021**	**-**	**-**

Input tax on all commitments estimated at $2,435.7 million (2022: $1,865.9 million) (parent entity: nil (2022: 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 2023.

24. Contingent assets and contingent liabilities

The parent entity had no contingent assets and contingent liabilities as at 30 June 2023 (2022: nil). The consolidated entity had contingent assets and contingent liabilities at 30 June 2023 in respect of:

(a) Public Private Partnership arrangements

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

(b) Litigation

Transport for NSW has a number of compulsory property acquisition matters under litigation where claims differ from the Valuer General's determined amount. These have an estimated contingent liability of $824.6 million (June 2022: $161.2 million) and are net of Treasury Managed Fund (TMF) reimbursements.

Sydney Metro also has several litigation proceedings in relation to property acquisitions for the Sydney Metro City & Southwest, Sydney Metro West and Sydney Metro Western Sydney Airport projects where claims differ from the Valuer General's determined amount. The exact amount of liability, if any, that may arise in relation to these disputes cannot be ascertained at this time as the outcome of these litigation proceedings is inherently unpredictable, including whether settlement can be reached prior to the court's determination of compensation. In respect of these litigation proceedings, the difference between the aggregate of the Valuer General's determined amount of the values of the relevant properties less any amounts paid or accrued, and the total amount of the claimants' claims, is in the order of $1.3 billion. This amount does not include statutory interest, or claimant legal costs, where not known.

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 $34.9 million (June 2022: $377.6 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, that is, class action, proceedings. The project specific insurers are managing the conduct of the proceedings on behalf of the consolidated entity. The Supreme Court delivered its judgment in the proceedings on 19 July 2023. The Court found in favour of two of the three representative plaintiffs' claims. The Court has not yet awarded damages in those two claims. The findings are unique to the two claims and not the other members of the class. The consolidated entity and the insurers are considering the judgment. It is not possible at this stage to estimate any potential financial effect in excess of any available insurance coverage.

Transport for NSW has construction and major project matters in relation to Regional Rail Advice Resolution of Major Disputes and Mona Vale Road Upgrade Project. It is not possible at this stage to estimate any potential financial effect in excess of the insurance coverage from these proceedings.

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 consolidated entity has a possible liability that is contingent on the achievement of certain milestones and thresholds by Landcom.

(c) Letter of comfort

The consolidated entity provided 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 2023 financial statements are signed. The consolidated entity and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to the Government.

(d) Other matters

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

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

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

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Net cash flows from operating activities	13,513,843	15,512,433	9,117	(106)
Acceptance by the Crown of employee benefits and other liabilities	71,317	7,918	2,472	(1,691)
Depreciation and amortisation	(3,894,417)	(3,761,324)	-	-
Non-cash revenue and expenses	384,126	753,587	(2,472)	1,691
Derecognition, impairment and write off of assets	(1,086,357)	(777,831)	-	-
Transfer from/(to) councils, NSW government agencies & other parties	70,396	(381,298)	-	-
Realised and unrealised gain/(loss) on financial assets/liabilities	(14,301)	76,344	-	-
Net gain on sale of assets held for sale	62,772	80,931	-	-
Impairment of receivables	(4,742)	(2,011)	-	-
Increase/(decrease) in receivables, inventories and other assets	1,086,962	478,105	(5,575)	13,878
Increase in payables and provisions	(513,039)	(898,423)	(3,065)	(8,749)
(Increase)/decrease in contract liabilities	(91,056)	124,842	-	-
Net loss on sale of property, plant and equipment & intangible assets	(8,467)	(31,789)	-	-
Net gain/(loss) on lease modifications and disposal of right of use assets	(115)	2,393	-	-
Reconciliation to net result	**9,576,922**	**11,183,877**	**477**	**5,023**

26. Non-cash financing and investing activities

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Gains/(losses) on financial liabilities at amortised cost		2,475	(7,793)	-	-
Borrowings in respect of acquisition of plant and equipment		(1,317,681)	(4,713,128)	-	-
Other gains/(losses)		(16,777)	84,137	-	-
Non-cash financing activities		**(1,331,983)**	**(4,636,784)**	**-**	**-**
Property, plant and equipment acquired through lease/service concession		1,317,681	4,713,128	-	-
Transfer from/(to) councils, NSW government agencies & other parties	14	70,396	(381,298)	-	-
Assets recognised for the first time	3(i),14	4,192	1,561	-	-
M2 and Eastern Distributor promissory notes	3(c)	14,290	7,640	-	-
Derecognition, impairment and write-off of assets	4,5	(1,086,357)	(777,831)	-	-
Transfer from administrative restructure		-	(519)	-	(519)
Major periodic maintenance work in Sydney Ferries		1,161	1,280	-	-
Equity transfers	29(a)	8,469	76,658	-	-
Other gains	5	-	142	-	-
Non-cash investing activities		**329,832**	**3,640,761**	**-**	**(519)**
Non-cash financing and investing activities		**(1,002,151)**	**(996,023)**	**-**	**(519)**

27. Administered assets and liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Cash	47,893	39,274	-	-
Administered assets	**47,893**	**39,274**	**-**	**-**
Payables	313,481	314,823	-	-
Administered liabilities	**313,481**	**314,823**	**-**	**-**

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.

28. Financial instruments (cont'd)

(a) Financial instrument categories

Consolidated	Note	Category	Carrying amount 2023 $'000	Carrying amount 2022 $'000
Financial assets				
Class:				
Cash and cash equivalents	7	Amortised cost	2,828,202	4,222,753
Receivables[1]	8	Amortised cost	2,322,490	1,953,032
Financial assets at fair value	11	Fair value through profit or loss - mandatory classification	105,209	101,010
Other financial assets	13	Amortised cost	698,774	805,629
			5,954,675	**7,082,424**
Financial liabilities				
Class:				
Trade creditors, accruals and other liabilities[2]	18,22	Financial liabilities measured at amortised cost	4,064,739	3,944,759
Financial liabilities at fair value	19	At fair value through profit or loss - designated as such at initial recognition	2,022	879
Borrowings	19	Financial liabilities measured at amortised cost	11,802,945	10,621,635
			15,869,706	**14,567,273**

[1] Excludes statutory receivables and prepayments i.e. not within scope of AASB 7 *Financial instruments: Disclosures* (AASB 7).

[2] Excludes statutory payables and unearned revenue i.e. not within scope of AASB 7.

Parent	Note	Category	Carrying amount 2023 $'000	Carrying amount 2022 $'000
Financial assets				
Class:				
Cash and cash equivalents	7	Amortised cost	9,239	122
Receivables[1]	8	Amortised cost	7,925	13,881
			17,164	**14,003**
Financial liabilities				
Class:				
Payables[2]	18	Financial liabilities measured at amortised cost	5,273	2,648
			5,273	**2,648**

[1] Excludes statutory receivables and prepayments i.e. not within scope of AASB 7.

[2] Excludes statutory payables and unearned revenue i.e. not within scope of AASB 7.

28. Financial instruments (cont'd)

(a) Financial instrument categories (cont'd)

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 held $105.2 million (2022: $101.1 million) in derivative financial assets and $2.0 million (2022: $0.9 million) in derivative financial liabilities. The parent did not have any derivative financial assets or liabilities in 2023 (2022: nil).

The consolidated entity only uses derivatives for hedging purposes and not as trading or speculative instruments. Where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for fair value through profit or loss.

(i) Foreign exchange risk management

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.

Generally, forward foreign exchange contracts 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.

(ii) Commodity price risk management

Commodity swap contracts are used to mitigate the price risk on forecast purchases of distillate and electricity. As at 30 June 2023, there were commodity swap contracts in place for distillate and electricity purchases. Generally, commodity swap contracts are designated as cash flow hedges.

The distillate swap contracts were designated as cash flow hedges in accordance with AASB 9 *Financial Instruments* (AASB 9). 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.

28. Financial instruments (cont'd)

(b) Derivatives (cont'd)

(iii) Interest rate risk management

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

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

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

				Expected cash flow			
Consolidated		Weighted average exchange rate	Contract value $ '000	No later than 3 months $ '000	Later than 3 months and no later than 12 months $ '000	Later than 12 months $ '000	Total $ '000
2023	Denominated in US Dollars	0.6800	44,123	-	44,123	-	44,123
	Denominated in US Dollars	0.6772	4,775	4,775	-	-	4,775
	Denominated in US Dollars	0.6798	12,041	-	12,041	-	12,041
	Denominated in Euros	0.6200	9,619	-	8,494	1,125	9,619
	Denominated in Euros	0.6311	782	-	782	-	782
	Denominated in Euros	0.6422	5,775	5,775	-	-	5,775
	Denominated in Pounds Sterling	0.5748	17	17	-	-	17
	Denominated in Pounds Sterling	0.5630	143	-	143	-	143
	Denominated in Swiss Francs	0.5964	1,199	-	1,199	-	1,199
	Denominated in Swiss Francs	0.5779	8,044	-	-	8,044	8,044
	Foreign exchange contracts		**86,518**	**10,567**	**66,782**	**9,169**	**86,518**
	Favourable		76,636	-	(556)	18,717	18,161
	Non-favourable		16,415	-	(16,415)	-	(16,415)
	Commodity hedge contracts		**93,051**	**-**	**(16,971)**	**18,717**	**1,746**
	Interest rate swap		**92,857**	**2,638**	**14,581**	**75,638**	**92,857**
2022	Denominated in US Dollars	0.7200	41,698	460	1,574	39,664	41,698
	Denominated in US Dollars	0.7007	9,163	-	9,163	-	9,163
	Denominated in US Dollars	0.7717	484	-	-	484	484
	Denominated in US Dollars	0.7131	3,403	3,403	-	-	3,403
	Denominated in Euros	0.6200	14,777	549	10,907	3,321	14,777
	Denominated in Euros	0.6311	4,338	-	4,338	-	4,338
	Denominated in Euros	0.6176	1,340	1,340	-	-	1,340
	Denominated in Pounds Sterling	0.5734	404	404	-	-	404
	Foreign exchange contracts		**75,607**	**6,156**	**25,982**	**43,469**	**75,607**
	Favourable		87,557	-	(10,935)	1,690	(9,245)
	Non-favourable		1,864	-	(1,864)	-	(1,864)
	Commodity hedge contracts		**89,421**	**-**	**(12,799)**	**1,690**	**(11,109)**
	Interest rate swap		**99,707**	**(1,350)**	**11,819**	**89,238**	**99,707**

28. Financial instruments (cont'd)

(b) Derivatives (cont'd)

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

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

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

Cash and cash equivalents

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

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. The collectability of trade debtors is reviewed on an ongoing basis.

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

28. Financial instruments (cont'd)

(c) Credit risk (cont'd)

The expected credit loss allowance for trade debtors as at 30 June 2023 and 30 June 2022 was determined as follows:

		Expected credit loss rate %	Estimated total gross carrying amount at default $ '000	Expected credit loss $ '000
2023	Current	0.09	124,276	106
	<30 days	0.99	9,855	98
	30-60 days	0.39	27,975	109
	61-90 days	5.18	1,987	103
	>91 days	20.04	66,219	13,272
			230,312	**13,688**
2022	Current	0.17	56,164	94
	<30 days	0.35	27,084	95
	30-60 days	5.54	3,053	169
	61-90 days	8.87	2,401	213
	>91 days	32.51	26,606	8,649
			115,308	**9,220**

[1] Each column in the table reports "gross receivables".

[2] The aging analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7.

The parent did not have any expected credit loss on financial assets in 2023 (2022: nil).

Derivatives

Transport for NSW, Sydney Trains and Sydney Metro have undertaken forward exchange currency swaps, commodity swaps and interest rate swaps. The risks associated with these arrangements are mitigated by only entering into arrangements with reputable, well established financial institutions in compliance with TPP 21-14 *NSW Government Financial Risk Management Policy*.

Other financial assets

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.

28. Financial instruments (cont'd)

(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 TC11-12 Payments of Accounts. 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.

NSW Treasury obtained a *Government Sector Finance Act 2018* (GSF Act) financial arrangements approval for an aggregate facility borrowing limit for all GSF agencies under purchasing card and other card facilities of $700.0 million on 9 February 2023. The consolidated entity had an amount owing of $18.2 million, for spend that forms part of the aggregate facility borrowing limit as at 30 June 2023.

In addition, the consolidated entity had access to the following credit facilities:

- Tape negotiation authority with Westpac Banking Authority $160.2 million (2022: $160.2 million), nil was utilised at 30 June 2023 and 30 June 2022.
- Borrowing facility with TCorp $150.0 million (2022: $150.0 million), nil was utilised at 30 June 2023 and 30 June 2022.

28. Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

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

Maturity analysis and interest rate exposure of financial liabilities

Consolidated	Weighted average effective int. rate (%)	Nominal amount[1]	Interest rate exposure: Fixed Interest Rate	Interest rate exposure: Variable Interest Rate	Interest rate exposure: Non-interest bearing	Maturity dates: < 1 year	Maturity dates: 1 - 5 years	Maturity dates: > 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2023								
Payables								
Trade creditors, accruals and other liabilities		4,064,739	-	-	4,064,739	4,050,650	14,089	-
Borrowings								
Lease liabilities	2.62	9,750,461	9,703,073	47,388	-	862,689	3,377,089	5,514,625
Service concession financial liabilities	3.19	8,429,952	5,597,364	2,832,588	-	824,690	2,004,682	5,596,638
Other financial liabilities at amortised cost	4.86	1,539,688	1,539,688	-	-	6,856	184,373	1,348,459
Derivative financial instruments		2,022	-	-	2,022	2,022	-	-
		23,786,862	**16,840,125**	**2,879,976**	**4,066,761**	**5,746,907**	**5,580,233**	**12,459,722**
2022								
Payables								
Trade creditors, accruals and other liabilities		3,944,759	-	-	3,944,759	3,941,543	3,216	-
Borrowings								
Lease liabilities	1.68	9,393,686	8,270,864	1,122,822	-	731,561	3,184,894	5,477,231
Service concession financial liabilities	2.04	4,593,951	1,546,964	3,046,987	-	286,298	2,101,940	2,205,713
Other financial liabilities at amortised cost	5.01	1,532,943	1,532,943	-	-	4,281	703,976	824,686
Derivative financial instruments		879	-	-	879	798	81	-
		19,466,218	**11,350,771**	**4,169,809**	**3,945,638**	**4,964,481**	**5,994,107**	**8,507,630**

28. Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

Parent		Interest rate exposure				Maturity dates		
	Weighted average effective int. rate (%)	Nominal amount[1]	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 year	1 - 5 years	> 5 years
	$ 000'	$ 000'	$ 000'	$ 000'	$ 000'	$ 000'	$ 000'	$ 000'
2023								
Trade creditors and accruals	-	5,273	-	-	5,273	5,273	-	-
Payables	**-**	**5,273**	**-**	**-**	**5,273**	**5,273**	**-**	**-**
2022								
Trade creditors and accruals	-	2,648	-	-	2,648	2,648	-	-
Payables	**-**	**2,648**	**-**	**-**	**2,648**	**2,648**	**-**	**-**

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

28. Financial instruments (cont'd)

(e) Market risk

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

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

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

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

(i) Interest rate risk

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

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

		-1%		+1%	
2023 Consolidated	**Carrying amount $'000**	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Financial assets					
Cash and cash equivalents	2,405,899	(24,059)	(24,059)	24,059	24,059
Other financial assets	687,062	(6,871)	(6,871)	6,871	6,871
	3,092,961	**(30,930)**	**(30,930)**	**30,930**	**30,930**
Financial liabilities					
Borrowings	2,879,976	(28,800)	(28,800)	28,800	28,800
	2,879,976	**(28,800)**	**(28,800)**	**28,800**	**28,800**

		-1%		+1%	
2022 Consolidated	**Carrying amount $'000**	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Financial assets					
Cash and cash equivalents	3,804,407	(38,044)	(38,044)	38,044	38,044
Other financial assets	796,129	(7,961)	(7,961)	7,961	7,961
	4,600,536	**(46,005)**	**(46,005)**	**46,005**	**46,005**
Financial liabilities					
Borrowings	3,092,247	(30,922)	(30,922)	30,922	30,922
	3,092,247	**(30,922)**	**(30,922)**	**30,922**	**30,922**

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

(i) Interest rate risk (cont'd)

		-1%		+1%	
2023 Parent	**Carrying amount $'000**	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Financial assets					
Cash and cash equivalents	-	-	-	-	-
	-	**-**	**-**	**-**	**-**

			-1%	+1%	
2022 Parent	**Carrying amount $'000**	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Financial assets					
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.

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

(ii) Foreign exchange risk (cont'd)

			+10%		-10%	
Consolidated		**Contract value $ '000**	**Net result $ '000**	**Equity $ '000**	**Net result $ '000**	**Equity $ '000**
2023	Denominated in US Dollars	60,939	4,412	1,898	(4,412)	(1,553)
	Denominated in Euros	16,176	962	764	(962)	(625)
	Denominated in Pounds Sterling	160	-	19	-	(16)
	Denominated in Swiss Francs	9,243	-	998	-	(817)
	Foreign exchange contracts	**86,518**	**5,374**	**3,679**	**(5,374)**	**(3,011)**
2022	Denominated in US Dollars	54,748	4,170	1,483	(4,170)	(1,214)
	Denominated in Euros	20,455	1,356	725	(1,356)	(615)
	Denominated in Pounds Sterling	404	-	37	-	(30)
	Foreign exchange contracts	**75,607**	**5,526**	**2,245**	**(5,526)**	**(1,859)**

There is no foreign exchange risk in parent entity in 2023 and 2022.

(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. As at 30 June 2023, 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%	
Consolidated		**Contract value $ '000**	**Net Result $ '000**	**Equity $ '000**	**Net Result $ '000**	**Equity $ '000**
2023	Distillate	16,971	-	1,697	-	(1,697)
	Electricity	76,080	7,608	-	(7,608)	-
		93,051	**7,608**	**1,697**	**(7,608)**	**(1,697)**
2022	Distillate	13,341	-	1,334	-	(1,334)
	Electricity	76,080	7,608	-	(7,608)	-
		89,421	**7,608**	**1,334**	**(7,608)**	**(1,334)**

28. Financial instruments (cont'd)

(f) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of derivatives, which are measured at fair value.

Other than the financial assets and liabilities detailed in the table below, the amortised cost of all other financial instruments recognised in the Statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments and the expectation that they will be paid in full.

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

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

2023 Consolidated	Carrying amount $'000	Fair value $'000	Fair value level
Financial assets			
Other financial assets	590,306	474,183	2
	590,306	**474,183**	
Financial liabilities			
Service concession financial liabilities	4,546,070	4,394,861	2
Financial liabilities at amortised cost	590,306	474,183	2
	5,136,376	**4,869,044**	

2022 Consolidated	Carrying amount $'000	Fair value $'000	Fair value level
Financial assets			
Other financial assets	491,926	446,000	2
	491,926	**446,000**	
Financial liabilities			
Service concession financial liabilities	3,702,778	3,607,539	2
Financial liabilities at amortised cost	491,926	446,000	2
	4,194,704	**4,053,539**	

The fair value of service concession financial liabilities is calculated using incremental borrowing rates, which are based on TCorp lending rates.

28. Financial instruments (cont'd)

(g) Fair value hierarchy

2023 Consolidated	Level 1 2023 $'000	Level 2 2023 $'000	Level 3 2023 $'000	Total 2023 $'000
Financial assets at fair value				
Derivative financial instruments	-	85,956	19,253	105,209
	-	**85,956**	**19,253**	**105,209**
Financial liabilities at fair value				
Derivative financial instruments	-	2,022	-	2,022
	-	**2,022**	**-**	**2,022**

2022 Consolidated	Level 1 2022 $'000	Level 2 2022 $'000	Level 3 2022 $'000	Total 2022 $'000
Financial assets at fair value				
Derivative financial instruments	-	98,778	2,232	101,010
	-	**98,778**	**2,232**	**101,010**
Financial liabilities at fair value				
Derivative financial instruments	-	879	-	879
	-	**879**	**-**	**879**

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

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

The consolidated entity has assessed the fair value of its financial instruments on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2). The fair value of commodity derivatives is determined as the present value of future contracted cash flows and credit adjustments (Level 3).

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date. The fair value of the interest and commodity rate swap derivative is based on market value at the reporting date.

There were no transfers between Level 1, 2 or 3 during the year. There were no changes in the valuation techniques during the year.

29. Equity and reserves

(a) Equity transfers

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Property, plant and equipment transferred from Department of Planning and Environment[1]	14	6,053	2,347	-	-
Property, plant and equipment transferred from TAHE[2]	14	3,010	-	-	-
Property, plant and equipment and intangible assets transferred to TAHE[3]	14,16	(594)	(58,174)	-	-
Defined superannuation benefit liabilities transferred to the Crown[4]		-	132,485	-	-
Equity transfers		**8,469**	**76,658**	**-**	**-**

2023

[1] On 23 December 2022, the Minister for Lands and Water approved the transfer of Meadowbank Bridge of $6.1 million including all capital and operational funding from the Department of Planning and Environment - Crown Lands to Transport for NSW.

[2] On 18 May 2023, the Transport Secretary via Vesting Order approved the transfer of land located at Sydenham of $3.0 million from TAHE to Transport for NSW.

[3] On 21 December 2022, the Transport Secretary via Vesting Order approved the transfer of land located at Eveleigh of $0.6 million from Transport for NSW to TAHE.

2022

[1] On 27 August 2021, the Minister for Water, Property & Housing approved the transfer of $2.7 million land located at Nelson Bay from Department of Planning and Environment to Transport for NSW. On 16 March 2022, the Minister Administering the National Parks and Wildlife Act approved the transfer of $0.3 million land located at Bungawalbin and Sherwood from Transport for NSW to National Parks and Wildlife Services within Department of Planning and Environment.

[3] In 2022, the Transport Secretary, with the consent of TAHE, transferred capital work in progress of $10.8 million from NSW Trains and Sydney Trains to TAHE. On 27 and 28 June 2022, the Secretary approved via Vesting Orders the transfer of $47.4 million assets under construction cost for the Fast Rail and Central Precinct, Redfern North Eveleigh and Transport Asset Revitalisation programs to TAHE as the ultimate owner future funding holder for these projects.

[4] On 6 December 2021, the Crown agreed to meet any shortfalls in the State Transit Authority (STA) Employment Group defined benefit superannuation balances due to the transfer of STA's bus operations to private operators during the year. As such, the Treasurer concurred with an equity transfer of the remaining STA defined benefits superannuation liabilities of $132.5 million to the Crown, as at 6 December 2021.

(b) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the consolidated entity's policy on the revaluation of property, plant and equipment as discussed in Note 14 (recognition and measurement (iii) and (iv)).

29. Equity and reserves (cont'd)

(c) Hedge reserve

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

During the year, the consolidated entity transferred hedge reserves of $11.1 million to property, plant and equipment as part of the initial measurement of the hedged item in accordance with AASB 9 *Financial Instruments*.

(d) Accumulated funds

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

(e) Other reserves

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

Recognition and measurement

(i) Equity transfers

Equity transfers represent the transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with NSW Treasury Policy Paper *TPP21-08 Accounting Policy: Contributions by owners made to wholly-owned Public Sector Entities*, AASB 1004 *Contribution*s 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.

30. Related party disclosures

(a) Key management personnel compensation

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Short-term employee benefits	6,075	6,170	-	-
Post-employment benefits	351	360	-	-
Other long-term benefits	210	205	-	-
Termination benefits	857	711	-	-
	7,493	**7,446**	**-**	**-**

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

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

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

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

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

During the 2023 financial year, the consolidated entity entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Grants and contributions from the Crown in right of the State of New South Wales (the Crown)
- Grants and contributions from the Department of Communities and Justice, NSW Reconstruction Authority, Service NSW, Department of Customer Service, Department of Planning and Environment and Greater Cities Commission
- Grants and subsidies paid for maintenance of transport infrastructure, completed projects to utility providers and other government agencies
- Payments for professional services and external works provided by various agencies including TAHE, Department of Education, Department of Planning and Environment, Infrastructure NSW, Ministry of Health, NSW Self Insurance Corporation and Sydney Water Corporation
- Other transactions with TAHE including payments of grants to TAHE for rail services and capital works, payments of access and licence fees to TAHE for rights to use of rail network, stations, rolling stock and property, reimbursements from TAHE for the design and construction of major rail projects and loan and corresponding interest from TAHE
- Insurance payments to and adjustments from Insurance and Care NSW, the Treasury Managed Fund (TMF) and NSW Self Insurance Corporation
- Rental and accommodation expenses paid to Property and Development NSW
- Lease arrangements with Newcastle Port Corporation for the use of facilities as a construction site
- Equity transfers from Department of Planning and Environment under the *Crown Land Management Act 2016*
- Equity transfers between TAHE and Transport for NSW under the *Transport Administration Act 1988*
- The Pooled Fund held in trust the investment relating to the closed NSW public sector superannuation schemes
- All long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW and all senior executives were assumed by the Crown.

31. After balance date events

(a) Administrative Arrangements Orders

As a result of the Administrative Arrangements Orders issued on 28 June 2023, staff employed by the Department of Transport (the Department) were transferred to the Department of Planning and Environment (DPE) effective from 1 July 2023 as listed in note 1(a).

There was no material impact on the net result or carrying values of assets and liabilities as at 30 June 2023 for the Department as a result of the Administrative Arrangements Orders.

In the year ended 30 June 2023 the following amounts were recognised in the financial statements in relation to these employees:

- the Department incurred employee related and other costs of $57.2 million and received fees for personnel services of $54.7 million.
- the Department held employee liabilities of $7.5 million and personnel service receivable of $7.3 million.

These transactions had nil impact on the net result and will no longer be recognised from 1 July 2023.

(b) NSW Government independent reviews

The NSW Government commissioned in 2023 several independent reviews and established taskforces to inform decision-making about different elements of transport in NSW and to recommend actions on key issues.

The reviews include the Sydney Trains' Rail Infrastructure and Systems Review ("Rail review") with an initial focus on governance and accountability, asset management and planning, reliability and resilience. On 21 August 2023, in line with the Rail review recommendations it was announced that intercity passenger operations would transfer from NSW Trains to Sydney Trains. As part of the transition process, staff, technology and leased assets are expected to transfer from NSW Trains to Sydney Trains. The timing of the transition is yet to be determined, and the financial impact cannot be quantified at this stage.

The independent reviews also include the Strategic Infrastructure Review (SIR). Decisions to cancel certain capital projects were made by Cabinet in August 2023 and reflected in the 2024 State Budget that was published in September 2023 based on policy positions informed by the work performed to date by the SIR. The capital projects that have been cancelled in August and September 2023 had a fair value of $200.4 million recorded as assets under construction within Property, plant and equipment as at 30 June 2023. A review of the composition of the assets under construction is underway and assessments will be made in 2024 with respect of assets that can be redeployed to other capital projects and/or written-off due to impairment. Additional costs, which are yet to be quantified, may be incurred as part of the close-out of these projects and will also be recognised as expenses in 2024.

(c) Amounts hypothecated to the Transport for NSW Fund

The appropriated amount hypothecated to the Transport for NSW Fund as at 30 June 2023 of $6,341.9 million (refer to Note 3(a)) has been reduced to nil as at the signing date of this report. On 6 September 2023, the Treasurer transferred $1,300.0 million to the Transport for NSW Fund, which reduced the appropriated amount hypothecated to the Transport for NSW Fund to $5,041.9 million. A transitional provision has since been inserted into Schedule 7 to the Transport Administration Act 1988 which has the effect of transferring $5,041.9 million from the Transport for NSW Fund to the Consolidated Fund, effective 27 September 2023.

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 2023, the Statement of financial position as at 30 June 2023, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information of the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Department and the consolidated entity.

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

Basis for Opinion

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

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

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

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

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

Other Information

The Department's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor’s Report thereon. The Secretary is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Department's draft annual report Volume 1 and Volume 2 for the year ended 30 June 2023.

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

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

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

I have nothing to report in this regard.

Secretary’s Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer’s Directions. The Secretary’s responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

- that the Department and 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.

Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 November 2023
SYDNEY

NSW GOVERNMENT

2022–23

Transport for NSW

Annual Financial Statements
for the year ended 30 June 2023

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Transport for NSW
Statement by the Secretary
for the year ended 30 June 2023

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 2023, 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.

Josh Murray
Secretary

Date: 26 October 2023

Transport for NSW
Statement of comprehensive income
for the year ended 30 June 2023

	Notes	Actual 2023 $'000	Actual 2022 $'000
Expenses excluding losses			
Operating expenses			
Personnel service expenses	2(a)	1,375,240	1,148,889
Other operating expenses	2(b)	3,121,456	2,702,817
Major rail project expenses	2(c)	1,472,822	1,745,363
Depreciation and amortisation	2(d)	3,062,739	2,984,086
Grants and subsidies	2(e)	13,785,320	13,296,849
Finance costs	2(f)	114,972	115,542
Other expenses	2(g)	1,746,655	1,863,697
Total expenses excluding losses		**24,679,204**	**23,857,243**
Revenue			
Appropriation	3(a)	-	22,518,795
Sale of goods and services from contracts with customers	3(b)	924,123	877,882
Investment revenue	3(c)	67,914	52,548
Shared and corporate services revenue	3(d)	467,301	363,938
Grants and contributions	3(e)	26,204,353	2,569,943
Retained taxes, fees and fines	3(f)	13,397	64,785
Major rail project revenue	3(g)	1,472,822	1,745,363
Resources received free of charge	3(h)	59,262	6,232
Other revenue	3(i)	606,162	617,047
Total revenue		**29,815,334**	**28,816,533**
Loss on disposal	4	(74,605)	(126,274)
Other (losses)/gains	5	(119,746)	607,136
Impairment loss on financial assets		(4,703)	(1,971)
Net result		**4,937,076**	**5,438,181**
Other comprehensive income			
Items that may be reclassified subsequently to net result			
Net gains/(losses) in foreign exchange		26	(38)
Items that will not be reclassified to net result			
Changes in revaluation surplus of property, plant and equipment	14	20,173,845	7,655,013
Total other comprehensive income		**20,173,871**	**7,654,975**
Total comprehensive income		**25,110,947**	**13,093,156**

The accompanying Notes form part of these financial statements.

Transport for NSW
Statement of financial position
as at 30 June 2023

	Notes	Actual 2023 $'000	Actual 2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	1,511,796	1,924,191
Receivables	8	1,994,516	1,152,446
Inventories	10	5,743	6,998
Financial assets at fair value	11	11,880	3,069
Non-current assets held for sale	12	8,688	26,921
Other financial assets	13	-	221,737
Total current assets		**3,532,623**	**3,335,362**
Non-current assets			
Receivables	8	397,172	66,125
Financial assets at fair value	11	38,709	45,774
Other financial assets	13	689,345	577,162
Property plant and equipment			
Land and buildings	14	5,419,527	5,435,358
Plant and equipment	14	1,917,500	2,087,851
Infrastructure systems	14	169,064,370	144,172,687
Property, plant and equipment	14	176,401,397	151,695,896
Right of use assets	15	875,137	905,810
Intangible assets	16	1,320,957	1,187,739
Total non-current assets		**179,722,717**	**154,478,506**
Total assets		**183,255,340**	**157,813,868**
LIABILITIES			
Current liabilities			
Payables	19	3,348,517	2,702,056
Contract liabilities	9	148,388	91,168
Borrowings	20	304,636	337,766
Provisions	21	104,983	129,545
Other liabilities	22	981,322	933,253
Total current liabilities		**4,887,846**	**4,193,788**
Non-current liabilities			
Contract liabilities	9	132,823	99,791
Borrowings	20	2,942,345	3,032,771
Provisions	21	77,046	24,700
Other liabilities	22	16,430,873	16,792,770
Total non-current liabilities		**19,583,087**	**19,950,032**
Total liabilities		**24,470,933**	**24,143,820**
Net assets		**158,784,407**	**133,670,048**
EQUITY			
Accumulated funds		129,718,722	124,763,550
Reserves		29,065,685	8,906,498
Total equity		**158,784,407**	**133,670,048**

The accompanying Notes form part of these financial statements.

Transport for NSW
Statement of changes in equity
for the year ended 30 June 2023

	Notes	Accumulated funds $'000	Asset revaluation surplus $'000	Hedge reserve $'000	Total $'000
Balance at 1 July 2022		**124,763,550**	**8,906,524**	**(26)**	**133,670,048**
Net result for the year		**4,937,076**	**-**	**-**	**4,937,076**
Other comprehensive income					
Net gains in foreign exchange		-	-	26	26
Net increase in asset revaluation surplus	14	-	20,173,845	-	20,173,845
Total other comprehensive income		**-**	**20,173,845**	**26**	**20,173,871**
Total comprehensive income for the year		**4,937,076**	**20,173,845**	**26**	**25,110,947**
Transactions with owners in their capacity as owners					
Transfers (from) reserves to accumulated funds		14,684	(14,684)	-	-
Equity transfers	23(d)	3,412	-	-	3,412
Balance at 30 June 2023		**129,718,722**	**29,065,685**	**-**	**158,784,407**
Balance at 1 July 2021		**119,453,659**	**1,251,922**	**12**	**120,705,593**
Net result for the year		**5,438,181**	**-**	**-**	**5,438,181**
Other comprehensive income					
Net losses in foreign exchange		-	-	(38)	(38)
Net increase in asset revaluation surplus	14	-	7,655,013	-	7,655,013
Total other comprehensive income		**-**	**7,655,013**	**(38)**	**7,654,975**
Total comprehensive income for the year		**5,438,181**	**7,655,013**	**(38)**	**13,093,156**
Transactions with owners in their capacity as owners					-
Transfers (from) reserves to accumulated funds		411	(411)	-	-
Equity transfers	23(d)	(128,701)	-	-	(128,701)
Balance at 30 June 2022		**124,763,550**	**8,906,524**	**(26)**	**133,670,048**

The accompanying Notes form part of these financial statements.

Transport for NSW
Statement of cash flows
for the year ended 30 June 2023

	Notes	Actual 2023 $'000	Actual 2022 $'000
Cash flows from operating activities			
Payments			
Personnel services		(1,446,544)	(1,394,460)
Grants and subsidies		(13,545,199)	(12,943,523)
Finance costs		(65,094)	(92,226)
Bus, ferry and light rail contract payments		(1,739,898)	(1,859,127)
Electronic ticketing systems payments to operators		(1,384,926)	(695,192)
Payments to suppliers		(5,463,692)	(5,394,591)
Total payments		**(23,645,353)**	**(22,379,119)**
Receipts			
Appropriation		-	22,518,795
Sale of goods and services		4,103,597	4,566,217
Retained taxes, fees and fines		30,108	28,723
Interest received		24,111	1,974
Grants and contributions		25,183,074	2,140,462
Electronic ticketing systems cardholder receipts		1,445,452	727,717
Total receipts		**30,786,342**	**29,983,888**
Net cash flows from operating activities	26	**7,140,989**	**7,604,769**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		140,582	85,099
Purchases of property, plant and equipment and intangible assets		(7,516,949)	(7,070,518)
Sydney Harbour Tunnel Company loan repayment		222,600	-
TCorpIM Funds redemption		-	137,040
Other		2,316	(2,825)
Net cash flows from investing activities		**(7,151,451)**	**(6,851,204)**
Cash flows from financing activities			
Repayment of borrowings and advances		(197,265)	(1,111,783)
Payment of principal portion of lease liabilities		(204,668)	(246,848)
Net cash flows from financing activities		**(401,933)**	**(1,358,631)**
Net decrease in cash and cash equivalents		**(412,395)**	**(605,066)**
Opening cash and cash equivalents		1,924,191	2,509,789
Cash and cash equivalents transferred in as a result of vesting order	23(d)	-	19,468
Closing cash and cash equivalents	7	**1,511,796**	**1,924,191**

The accompanying Notes form part of these financial statements.

The presentation of sale of goods and services, as well as grants and contributions in the prior year have been revised to better align with the underlying nature of these transactions.

1. Summary of significant accounting policies

(a) Transport for NSW - Reporting entity

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

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

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

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

Transport for NSW is consolidated as part of the NSW Total State Sector, which is the ultimate parent. The financial statements of Transport for NSW for the year ended 30 June 2023 were authorised for issue by the Secretary on the date the accompanying Statement was signed.

(b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- Treasurer's Directions under the GSF Act.

Property, plant and equipment, assets (or disposal groups) held for sale and certain financial assets and liabilities are measured using the fair value basis. Asset held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. Borrowings are initially measured at the fair value of the consideration received and subsequently using the effective interest method. Other financial report items are prepared in accordance with historical cost convention except where specified otherwise.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

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

(c) Critical accounting estimates, judgement and assumptions

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

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

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

(d) Statement of compliance

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

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

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

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

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

(f) Foreign currency translation

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

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

(g) Comparative information

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

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

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

(i) Effective for the first time in 2023

The accounting policies applied in 2023 are consistent with those of the previous financial year.

Several amendments and interpretations applied for the first time in 2023, but did not have an impact on the financial statements of Transport for NSW.

(ii) Issued but not yet effective

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

The following new standards and amendments have been issued but are not yet effective.

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2024
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*	1 January 2023
AASB 17 *Insurance Contracts*	1 January 2023
AASB 2022-1 *Amendments to the Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information*	1 January 2023
AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*	1 January 2024
AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	1 January 2024
AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*	1 January 2023
AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*	1 July 2026
AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*	1 January 2024
AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements	1 January 2024

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

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

(ii) Issued but not yet effective (cont'd)

The possible impact of these standards and amendments in the period of initial application includes:

- *AASB 17 Insurance Contracts (AASB 17) and AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector (AASB 2022-9)*

  AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard introduces specific scoping criteria to determine if an arrangement is an insurance contract which may result in arrangements previously accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets to be captured under AASB 17. AASB 2022-9 amends AASB 17 to prescribe specific public sector requirements. The standards apply to public sector entities for annual reporting periods beginning on or after 1 July 2026. The impact at this stage is yet to be determined by Transport for NSW.

- *AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities (AASB 2022-10)*

  AASB 2022-10 amends AASB 13 Fair Value Measurement for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. For these assets, AASB 2022-10 clarifies when an entity is required to consider whether the asset's highest and best use differs from its current use, under what circumstances the asset's use is considered 'financially feasible', and when an entity should use its own assumptions as a starting point in developing unobservable inputs. AASB 2022-10 also provides guidance on how the cost approach is to be applied to measure the asset's fair value. The standard applies prospectively to annual periods beginning on or after 1 January 2024. The impact of the standard is not yet known and is yet to be determined by Transport for NSW.

The impact of the other standards and amendments are not anticipated to be significant.

(i) Going concern

The financial statements have been prepared on a going concern basis which assumes that Transport for NSW is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. This is supported by Transport for NSW continuing to receive grants from the Department of Transport. The Department of Transport receives its funding from the Consolidated Fund through the annual Appropriations Act. The 2024 budget papers include a budgeted appropriation of $24,674.5 million for the services of the Department of Transport for the 2024 financial year. The continuation of grant payments from the Department of Transport together with its current receivables and cash reserves means there is no risk to Transport for NSW in continuing to operate as a going concern after 30 June 2023.

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

(j) Impact of COVID-19 on financial reporting for 2023

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.

The impact of COVID-19 on passenger service revenue collected by operators has reduced. Passenger service revenue received by operators prior to the onset of COVID-19 was approximately $154.0 million a month. Passenger service revenue received by operators for the month of June 2023 was $135.0 million. As COVID-19 measures were removed, patronage and operator revenue have been steadily increasing. The impact of the decreased revenue collected by the operators is explained in Note 2 (g), as operator revenue is offset against contract payments Transport for NSW makes to the operators.

(k) Superannuation on annual leave loading

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

2. Expenses excluding losses

(a) Personnel service expenses

	Notes	2023 $'000	2022 $'000
Salaries and wages (including annual leave)		1,088,118	929,773
Superannuation - defined benefit plans		8,054	9,684
Superannuation - defined contribution plans		125,817	105,486
Long service leave expense/(expense reversal)		47,767	(7,183)
Workers' compensation insurance		9,941	7,545
Payroll tax and fringe benefits tax		77,957	62,034
Redundancy payments		14,403	36,075
Other employee expenses		3,183	5,475
Personnel service expenses		**1,375,240**	**1,148,889**
Reconciliation of aggregate personnel service expenses			
Capitalised personnel service expenses		779,842	713,016
Major rail project expenses	2(c)	177,736	142,259
Aggregate personnel service expenses		**2,332,818**	**2,004,164**

Included in the above are personnel service expenses of $126.8 million (2022: $92.3 million) related to maintenance disclosed in Note 2(b).

2. Expenses excluding losses (cont'd)

(b) Other operating expenses

	2023 $'000	2022 $'000
Auditor's remuneration - audit of the financial statements	1,791	1,533
Advertising and Marketing	41,534	41,639
M5 Cashback refund	123,192	105,810
Telecommunications	22,508	14,356
Consultants and other contractors	1,390,515	1,230,081
Shared service charges	226,962	205,948
Electricity, gas and water	16,083	15,122
Fleet hire and leasing charges including contingent rents	86,296	61,617
General expenses	209,873	182,668
Information technology	418,005	367,388
Insurance	46,017	36,151
Property and other related expenses	109,926	44,681
Legal services	16,750	17,476
External maintenance costs	208,062	173,574
Materials	32,738	25,278
Office expenses	74,465	80,027
Payments to councils and external bodies	965	3,402
Security costs	7,304	11,005
Special number plates concession fees	35,382	33,032
Sydney Harbour Tunnel operating fees	26,167	36,891
Taxes, rates and related charges	4,440	4,082
Travel expenses	22,481	11,056
Other operating expenses	**3,121,456**	**2,702,817**

Reconciliation of total maintenance		
Operational maintenance in Note 2(b)	208,062	173,574
Consultants and other contractors	449,644	147,880
Corporate services, information technology and telecommunication expenses	34,285	60,362
Operating lease rental expenses	66,350	47,097
Payments to councils and external bodies for state road works	187	271
Other	7,410	10,311
Maintenance expense in other operating expenses	**765,938**	**439,495**
Depreciation - right of use assets	9,949	8,170
Maintenance related to personnel service expenses in Note 2(a)	126,847	92,344
Total maintenance expenses including personnel service related	**902,734**	**540,009**

2. Expenses excluding losses (cont'd)

(c) Major rail project expenses

	2023 $'000	2022 $'000
Personnel related expenses	177,736	142,259
Consultants and other contractors	1,286,626	1,565,660
Property acquisition	-	27,512
Insurance	2,131	1,745
Legal services	3,536	2,225
Rent and other related expenses	68	2,555
Information technology and telecommunication expenses	1,000	1,538
Other	1,725	1,869
Major rail project expenses	**1,472,822**	**1,745,363**

(d) Depreciation and amortisation

	Notes	2023 $'000	2022 $'000
Property, plant and equipment:			
Depreciation of infrastructure systems	14	2,450,064	2,354,108
Depreciation of buildings	14	37,804	51,218
Depreciation of plant and equipment	14	214,331	213,284
Total depreciation of property, plant and equipment		**2,702,199**	**2,618,610**
Right of use assets:			
Depreciation of land and buildings		6,882	70,863
Depreciation of plant and equipment		111,493	116,755
Total depreciation of right of use assets		**118,375**	**187,618**
Intangible assets:			
Amortisation of intangible assets	16	242,165	177,858
Total amortisation		**242,165**	**177,858**
Depreciation and amortisation		**3,062,739**	**2,984,086**
Right of use assets: reconciliation to Note 15			
Depreciation of land and buildings		6,882	70,863
Right of use depreciation capitalised		6,256	3,607
Total depreciation for land and buildings	15	**13,138**	**74,470**
Depreciation of plant and equipment		111,493	116,755
Right of use depreciation capitalised		22,073	17,756
Total depreciation for plant and equipment	15	**133,566**	**134,511**

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

2. Expenses excluding losses (cont'd)

(e) Grants and subsidies

	Notes	2023 $'000	2022 $'000
Community transport groups		89,061	89,275
Taxi Transport Subsidy Scheme		42,460	39,403
Private Vehicle Conveyance		14,430	11,357
Carparks and interchanges		2,934	3,072
National transport regulators		10,262	7,219
Road safety grant to NSW Police and local councils		21,629	24,650
Rail services and capital works		4,479,452	4,019,264
Point to point assistance package[1]		742,441	1,151
Private firms and individuals		19,518	20,001
Local councils		1,845,585	1,094,178
Local councils, Commonwealth and NSW government agencies and utilities providers - transfer of assets	14 ,16	240,119	353,326
Sydney Metro services and capital works		6,250,759	7,563,156
Other transport agencies		13,289	56,888
Other NSW government agencies (non-transport)		12,116	9,701
Other state, territory and Commonwealth government agencies		1,265	4,208
Grants and subsidies		**13,785,320**	**13,296,849**

[1] Point to point financial assistance is provided to eligible taxi licence owners to help them adapt to the deregulation of taxi licence supply within the taxi industry. Eligible licences are those held as of 22 September 2022 and which are still held by the licensee as of 1 February 2023.

(f) Finance costs

	Notes	2023 $'000	2022 $'000
Interest expense from lease liabilities	15	46,067	65,003
Interest expense from financial liabilities at amortised cost[1]		40,330	26,370
Other finance costs		28,575	24,169
Finance costs		**114,972**	**115,542**

[1] Of the interest expense from financial liabilities at amortised cost, $40.3 million (2022: $26.4 million) related to financial liabilities for service concession arrangements. Refer to Note 14 for further details on service concession arrangements.

2. Expenses excluding losses (cont'd)

(g) Other expenses

	2023 $'000	2022 $'000
Bus contract payments - metropolitan and outer metro bus operators	1,067,005	1,196,440
Major events - bus and rail services	6,758	4,570
Ferry contract payments	108,441	132,719
Light rail contract payments	86,455	82,960
Bus contract payments - rural and regional bus operators	469,711	440,996
Nightride bus services	8,285	6,012
Other expenses	**1,746,655**	**1,863,697**

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.

Recognition and measurement

(i) Personnel service expenses

Transport for NSW does not directly employ staff. Personnel services are provided by the Transport Service of New South Wales and the Department of Transport and include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies.

Some personnel service expenses are capitalised to the construction costs of property, plant and equipment and intangible assets.

(ii) Other operating expenses

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

(iii) Insurance

Transport for NSW arranges insurance cover through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The cost of insurance is expensed in the period to which the insurance cover relates.

Transport for NSW also arranges Principal Arranged Insurance (PAI) which provides cover for its construction projects. The premium cost is amortised on a straight-line basis over the term of the contract for all insurance policies.

2. Expenses excluding losses (cont'd)

Recognition and measurement (cont'd)

(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).

(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 Transport Asset Holding Entity of New South Wales (TAHE). Since 1 July 2015, TAHE receives a direct equity injection from the Crown in the right of the State of New South Wales to fund its contract activities with Transport for NSW. Under this funding arrangement, TAHE reimburses Transport for NSW for construction costs incurred either monthly or on a deferred basis, in line with the arrangements with other private sector operators. Contract costs relating to satisfied or partly satisfied performance obligations are recognised as expenses when incurred.

(viii) Grants and subsidies

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

(ix) Finance costs

Finance costs comprise mainly interest on borrowings, including service concession financial liabilities, and interest charges from leases. In accordance with Treasury's mandate to not-for-profit general government sector agencies, finance costs are expensed and recognised in the Statement of comprehensive income in the period in which they are incurred.

3. Revenue

(a) Appropriation

The Appropriations Act 2021 appropriated the Cluster's 2022 total appropriation to the Minister for Transport and Roads out of the Consolidated Fund for the services of Transport for NSW. The Appropriations Act 2022 appropriated the Cluster's 2023 total appropriation to the Minister for Infrastructure out of the Consolidated Fund for the services of the Department of Transport. Accordingly, 2023 appropriation revenue is recognised in the financial statements of Department of Transport whereas 2022 appropriation revenue was recognised in the financial statements of Transport for NSW.

	2023 $ '000	2022 $ '000
Appropriations Act	-	23,219,953
Other Appropriations		
Other variations made to the appropriations during the financial year		
Section 4.9 GSF Act transfer of functions between GSF agencies	-	21,075
Section 4.11 GSF Act (Variations of annual appropriations for Commonwealth grants)	-	2,519
Section 34 of the Appropriations Act 2020 COVID-19 Pandemic Variance	-	48,836
Other (Section 32.2 of the Appropriations Act 2020 - Offset Savings - insufficient fund)	-	(293,000)
Total spending authority from parliamentary appropriations, other than deemed appropriations	**-**	**22,999,383**
Add:		
The spending authority from deemed appropriations during the financial year	-	-
The unutilised spending authority from deemed appropriations from prior years	-	-
Total Appropriations	**-**	**22,999,383**
Appropriated amount transferred to the Transport for NSW Fund bank account[1]	**-**	**22,518,795**

[1] This included only amounts appropriated that were transferred to the Transport for NSW Fund bank account, in the prior year. These prior year parliamentary appropriations received were also fully utilised in the same period as they were received.

In the prior year, the Minister for Transport and Roads had discretion to apportion appropriations between the services of Transport for NSW and the services of the Department of Transport. In the absence of any formal apportionment by the Minister, the appropriations were considered as part of the Transport for NSW Fund.

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

Appropriated amount hypothecated to the Transport for NSW Fund

Authority	Special Deposit Account	2023 $'000	2022 $'000
Transport Administration Act 1988	Transport for NSW Fund	6,341,881[2]	6,341,881
		6,341,881	**6,341,881**

[2] This balance has been reduced to nil as at 27 September 2023. Refer to Note 32.

3. Revenue (cont'd)

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

	2023 $'000	2022 $'000
Toll and tag revenue	135,708	112,303
Number plates	139,072	176,995
Publications	11,893	7,873
Advertising	30,903	22,086
Boat licenses and registrations	58,673	58,049
Channel fees	11,726	8,573
Moorings	9,121	11,067
Fees for services rendered	199,940	151,311
Recoupment of project costs	196,513	207,657
Rental income	71,656	63,506
Heavy vehicle permit fees	5,387	5,156
Other	53,531	53,306
Sale of goods and services from contracts with customers	**924,123**	**877,882**

(c) Investment revenue

	2023 $'000	2022 $'000
Net gain from Tcorp. IM Funds measured at fair value through profit or loss	-	3,047
Interest income from financial assets at amortised cost	51,152	23,375
Amortisation of zero interest Sydney Harbour Tunnel loan	2,472	18,486
M2 and Eastern Distributor promissory notes	14,290	7,640
Investment revenue	**67,914**	**52,548**

(d) Shared and corporate services revenue

	2023 $'000	2022 $'000
Shared and corporate services revenue	467,301	363,938
Shared and corporate services revenue	**467,301**	**363,938**

3. Revenue (cont'd)

(e) Grants and contributions

	Notes	2023 $'000	2022 $'000
Commonwealth Home Support Program		68,274	79,055
Other NSW government agencies (non-transport)		837,660	517,358
Private firms and individuals		71,547	46,094
Grants from Department of Transport		23,707,333	-
The Crown in the right of the State of New South Wales[1]		1,096,656	1,910,336
Local councils – transfer of assets	14	422,883	1,817
Other state and territory government agencies		-	15,283
Grants and contributions		**26,204,353**	**2,569,943**

[1] Transport for NSW received grants from the Crown in the right of the State of NSW in relation to the following: $495.0 million (2022: $1,328.2 million) for Sydney Metro, $184.8 million (2022: nil) for Coffs Harbour Bypass, $174.2 million (2022: $213.2 million) for capital works, $87.5 million (2022: $199.1 million) for other projects, $41.0 million (2022: $31.5 million) for Intelligent Congestion Management Program, $34.9 million (2022: $62.1 million) for M12 Motorway, $34.3 million (2022: $24.9 million) for New England Highway and $44.9 million (2022: $51.3 million) for redundancies in the Transport cluster.

(f) Retained taxes, fees and fines

	2023 $'000	2022 $'000
Sanction fees payable under the Fines Act	13,397	9,126
National Heavy Vehicle Regulator charges[1]	-	55,659
Retained taxes, fees and fines	**13,397**	**64,785**

[1] From 1 August 2022, Heavy Vehicle National Law (HVNL) and Heavy Vehicle Inspection Scheme (HVIS) regulatory services were transferred from Transport for NSW to the National Heavy Vehicle Regulator(NHVR). As part of the transition process, staff, technology, and assets were transferred from Transport for NSW to the National Heavy Vehicle Regulator. Following the transition of activities to the National Heavy Vehicle Regulator, Transport for NSW no longer receives revenue for these services and instead will pay fees to the National Heavy Vehicle Regulator for services provided on Transport for NSW's behalf.

(g) Major rail project revenue

	2023 $'000	2022 $'000
Major rail project revenue	1,472,822	1,745,363
Major rail project revenue	**1,472,822**	**1,745,363**

3. Revenue (cont'd)

(h) Resources received free of charge

	2023 $'000	2022 $'000
Personnel service - superannuation - defined benefit	8,159	9,798
Personnel service - long service leave	50,665	(4,040)
Personnel service - payroll tax	438	474
Resources received free of charge	**59,262**	**6,232**

(i) Other revenue

	Notes	2023 $'000	2022 $'000
Revenue related to service concession arrangements[1]		577,940	555,173
Principal arranged insurance refund		16,674	19,519
Recognition of property, plant and equipment	14	4,192	1,562
Other		7,356	40,793
Other revenue		**606,162**	**617,047**

[1] This revenue reflects the progressive unwinding of the 'grant of right to operate' liability (Note 22) over the remaining period of the arrangement. Refer to Note 14 for further details on service concession arrangements.

Recognition and measurement

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

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

(i) Parliamentary appropriations

The Appropriation Act 2021 and subsequent variations appropriated the sum of $22,999.4 million to the Minister for Transport and Roads out of the Consolidated Fund for the services of Transport for NSW for 2022. However, under the Appropriations Act 2022 the reference to Transport for NSW has been removed and the appropriations for the Transport and Infrastructure Cluster are made to the Minister for Infrastructure for the services of the Department of Transport for 2023. Accordingly, Transport for NSW 2023 funding is from grants received from the Department of Transport (2022: nil) rather than from appropriation.

Parliamentary appropriations do not contain enforceable and sufficiently specific performance obligations as defined by AASB 15. Therefore, appropriations are recognised as income when Transport for NSW obtains control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

3. Revenue (cont'd)

Recognition and measurement (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 related parties and is recognised when Transport for NSW satisfies the performance obligation by transferring the promised services. Transport for NSW typically satisfies its performance obligations when the service is provided or over the term of the service period. The payments are typically due after performance obligations have been satisfied.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

3. Revenue (cont'd)

Recognition and measurement (cont'd)

(vi) Grants and contributions

Grant and contributions (other than contributions by owners) are recognised as income. The timing of recognition is determined by the requirements in either AASB 15 or AASB 1058, as applicable.

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

Revenue from grants with sufficiently specific performance obligations is recognised as and when Transport for NSW satisfies a performance obligation by transferring the promised goods or services. 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 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 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. Loss on disposal

Recognition and measurement

In regards to infrastructure assets written off (previously disclosed as other gains/(losses)), in cases where Transport for NSW constructs a new infrastructure asset that substantially replaces an existing asset (rather than performing work to maintain the existing asset), the capitalised value of the original asset is written off and the new asset is included within the additions to infrastructure assets Note 14.

	Notes	2023 $'000	2022 $'000
Proceeds from asset sales		1,932	3,071
Net carrying amount of property, plant and equipment disposed	14	(5,166)	(25,584)
Carrying amount of property plant and equipment written off	14	(73,203)	(108,370)
(Loss)/gain on disposal of right of use assets and lease liability		(119)	2,297
Net carrying amount of intangibles disposed	16	(1,433)	(3,501)
Carrying amount of intangibles written off	16	(21,441)	(4,116)
Gain on disposal of non-current assets held for sale		24,825	9,929
Loss on disposal		**(74,605)**	**(126,274)**

5. Other (losses)/gains

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.

	Notes	2023 $'000	2022 $'000
Net revaluation (decrement)/increment recognised in net result	14	(109,418)	470,223
Impairment losses on property, plant and equipment	14	-	(1,444)
Impairment losses on right of use assets	15	(14,140)	-
Impairment losses on intangibles	16	(631)	-
Realised gains/(losses) on derivatives		2,241	(3,725)
Unrealised gains on derivatives		2,191	48,528
Derecognition of right-of-use assets and lease liabilities with Property and Development NSW	15	-	93,553
Bad debts recovered		11	1
Other (losses)/gains		**(119,746)**	**607,136**

6. State outcome group statements

Statement of comprehensive income

	Successful places for communities		Connecting our customers' whole lives		Transport Systems and Solutions Enabling Economic Activity		Not attributable		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 '000	2023 $'000	2022 $'000
Expenses excluding losses										
Personnel service expenses	118,559	99,045	1,213,172	1,013,496	43,509	36,348	-	-	1,375,240	1,148,889
Other operating expenses	626,931	542,849	2,365,226	2,048,010	129,299	111,958	-	-	3,121,456	2,702,817
Major rail project expense	-	-	1,472,822	1,745,363	-	-	-	-	1,472,822	1,745,363
Depreciation and amortisation	-	-	3,062,739	2,984,086	-	-	-	-	3,062,739	2,984,086
Grants and subsidies	129,014	124,442	6,427,108	6,199,369	7,229,198	6,973,038	-	-	13,785,320	13,296,849
Finance costs	-	-	114,779	115,348	193	194	-	-	114,972	115,542
Other expenses	-	-	1,746,655	1,863,697	-	-	-	-	1,746,655	1,863,697
Total expenses excluding losses	**874,504**	**766,336**	**16,402,501**	**15,969,369**	**7,402,199**	**7,121,538**	**-**	**-**	**24,679,204**	**23,857,243**
Revenue										
Appropriation	-	-	-	-	-	-	-	22,518,795	-	22,518,795
Sale of goods and services from contracts with customers	201,960	63,536	660,805	772,536	61,358	41,810	-	-	924,123	877,882
Investment revenue	-	3,047	67,914	49,501	-	-	-	-	67,914	52,548
Shared and corporate services revenue	-	-	467,301	363,938	-	-	-	-	467,301	363,938
Grants and contributions	93,389	96,296	340,094	349,881	2,063,539	2,123,766	23,707,331	-	26,204,353	2,569,943
Retained taxes, fees and fines	-	-	13,397	64,785	-	-	-	-	13,397	64,785
Major rail project revenue	-	-	1,472,822	1,745,363	-	-	-	-	1,472,822	1,745,363
Resources received free of charge	2,358	537	37,939	5,498	18,965	197	-	-	59,262	6,232
Other revenue	2,593	-	584,795	569,834	18,774	47,213	-	-	606,162	617,047
Total revenue	**300,300**	**163,416**	**3,645,067**	**3,921,336**	**2,162,636**	**2,212,986**	**23,707,331**	**22,518,795**	**29,815,334**	**28,816,533**
Loss on disposal	(35,072)	(42,091)	(39,483)	(84,183)	(50)	-	-	-	(74,605)	(126,274)
Other (losses)/gains	(1,146)	-	(118,600)	607,136	-	-	-	-	(119,746)	607,136
Impairment loss on financial assets	(498)	-	(4,205)	(1,971)	-	-	-	-	(4,703)	(1,971)
Net result	**(610,920)**	**(645,011)**	**(12,919,722)**	**(11,527,051)**	**(5,239,613)**	**(4,908,552)**	**23,707,331**	**22,518,795**	**4,937,076**	**5,438,181**
Other comprehensive income										
Net gains/(losses) in commodity swaps and foreign exchange	-	-	26	(38)	-	-	-	-	26	(38)
Changes in revaluation surplus of property, plant and equipment	-	-	20,173,845	7,655,013	-	-	-	-	20,173,845	7,655,013
Total other comprehensive income	**-**	**-**	**20,173,871**	**7,654,975**	**-**	**-**	**-**	**-**	**20,173,871**	**7,654,975**
Total comprehensive income	**(610,920)**	**(645,011)**	**7,254,149**	**(3,872,076)**	**(5,239,613)**	**(4,908,552)**	**23,707,331**	**22,518,795**	**25,110,947**	**13,093,156**

2023 appropriation revenue is recognised in the financial statements of Department of Transport whereas 2022 appropriation revenue was recognised in the financial statements of Transport for NSW. Grants from Department of Transport are made on an entity basis and not to individual state outcome groups. Consequently grants from Department of Transport are included in the “Not attributable” column.

6. State outcome group statements (cont'd)

Statement of financial position

	Successful places for communities		Connecting our customers' whole lives		Transport Systems and Solutions Enabling Economic Activity		Not attributable		Total	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
ASSETS										
Current assets										
Cash and cash equivalents	-	-	367,940	319,667	207,728	301,449	936,128	1,303,075	1,511,796	1,924,191
Receivables	295,084	85,904	1,593,355	1,015,157	106,077	51,385	-	-	1,994,516	1,152,446
Inventories	-	-	5,743	6,998	-	-	-	-	5,743	6,998
Financial assets at fair value	-	-	11,880	3,069	-	-	-	-	11,880	3,069
Non-current assets held for sale	8,688	26,921	-	-	-	-	-	-	8,688	26,921
Other financial assets	-	-	-	221,737	-	-	-	-	-	221,737
Total current assets	**303,772**	**112,825**	**1,978,918**	**1,566,628**	**313,805**	**352,834**	**936,128**	**1,303,075**	**3,532,623**	**3,335,362**
Non-current assets										
Receivables	86,799	4,786	284,002	58,190	26,371	3,149	-	-	397,172	66,125
Financial assets at fair value	-	-	38,709	45,774	-	-	-	-	38,709	45,774
Other financial assets	2,283	2,770	687,062	574,392	-	-	-	-	689,345	577,162
Property, plant and equipment										
Land and buildings	-	-	5,419,527	5,435,358	-	-	-	-	5,419,527	5,435,358
Plant and equipment	-	-	1,917,500	2,087,851	-	-	-	-	1,917,500	2,087,851
Infrastructure systems	-	-	169,064,370	144,172,687	-	-	-	-	169,064,370	144,172,687
Property, plant and equipment	-	-	176,401,397	151,695,896	-	-	-	-	176,401,397	151,695,896
Right of use assets	-	-	860,664	890,501	14,473	15,309	-	-	875,137	905,810
Intangible assets	113,009	94,731	1,185,704	1,073,470	22,244	19,538	-	-	1,320,957	1,187,739
Total non-current assets	**202,091**	**102,287**	**179,457,538**	**154,338,223**	**63,088**	**37,996**	**-**	**-**	**179,722,717**	**154,478,506**
Total assets	**505,863**	**215,112**	**181,436,456**	**155,904,851**	**376,893**	**390,830**	**936,128**	**1,303,075**	**183,255,340**	**157,813,868**
LIABILITIES										
Current liabilities										
Payables	705,441	569,249	2,497,411	2,015,264	145,665	117,543	-	-	3,348,517	2,702,056
Contract liabilities	4,352	2,673	85,674	18,747	58,362	69,748	-	-	148,388	91,168
Borrowings	-	-	304,144	337,220	492	546	-	-	304,636	337,766
Provisions	13,437	16,127	91,546	112,670	-	748	-	-	104,983	129,545
Other liabilities	1,043	2,816	968,929	923,047	11,350	7,390	-	-	981,322	933,253
Total current liabilities	**724,273**	**590,865**	**3,947,704**	**3,406,948**	**215,869**	**195,975**	**-**	**-**	**4,887,846**	**4,193,788**
Non-current liabilities										
Contract liabilities	3,896	2,251	27,312	18,934	101,615	78,606	-	-	132,823	99,791
Borrowings	-	-	2,937,593	3,026,547	4,752	6,224	-	-	2,942,345	3,032,771
Provisions	3,474	531	48,575	24,060	24,997	109	-	-	77,046	24,700
Other liabilities	-	-	16,430,873	16,792,770	-	-	-	-	16,430,873	16,792,770
Total non-current liabilities	**7,370**	**2,782**	**19,444,353**	**19,862,311**	**131,364**	**84,939**	**-**	**-**	**19,583,087**	**19,950,032**
Total liabilities	**731,643**	**593,647**	**23,392,057**	**23,269,259**	**347,233**	**280,914**	**-**	**-**	**24,470,933**	**24,143,820**
Net assets	**(225,780)**	**(378,535)**	**158,044,399**	**132,635,592**	**29,660**	**109,916**	**936,128**	**1,303,075**	**158,784,407**	**133,670,048**

The allocation of various line items to state outcome groups in the prior year have been revised to more appropriately reflect their underlying nature.

6. State outcome group statements (cont'd)

Administered Expenses and Income

	Successful places for communities		Connecting our customers' whole lives		Transport Systems and Solutions Enabling Economic Activity		Not attributable		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Administered Expenses										
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	3,118	3,131	3,118	3,131
Total administered expenses	**-**	**-**	**-**	**-**	**-**	**-**	**3,118**	**3,131**	**3,118**	**3,131**
Administered Income										
Transfer receipts - taxes, fees and fines	-	-	-	-	-	-	4,511,530	4,189,034	4,511,530	4,189,034
Total administered income	**-**	**-**	**-**	**-**	**-**	**-**	**4,511,530**	**4,189,034**	**4,511,530**	**4,189,034**
Administered income less expenses	**-**	**-**	**-**	**-**	**-**	**-**	**4,508,412**	**4,185,903**	**4,508,412**	**4,185,903**

Administered assets and liabilities are disclosed in Note 29.

6. State outcome group statements (cont'd)

The NSW Government has developed a set of State Outcomes which articulate the primary purpose for which public resources are being spent, and the goals that Government is seeking to achieve for its citizens. Transport for NSW state outcome groups are mapped to the following State Outcomes:

Successful places for communities

At the heart of communities are places where people come together to interact, transact and connect. Successful places support communities to achieve their desired social, cultural, health, environmental, economic and wellbeing outcomes, now and in the future. Partnership with communities ensures that the places created and impacted by the infrastructure, services and experiences provided by Transport for NSW and its partners support their desired outcomes, reflect their people and culture, and protect and enhance communities and their environments.

Connecting our customers' whole lives

Transport for NSW plays a vital role in customers' lives, delivering and enabling safe, reliable and sustainable transport solutions for the movement of people and goods. We work to provide customers with effortless, accessible and personalised journeys, regardless of mode, location or journey type, blending public, private, rideshare, on-demand, active and personal mobility services and options.

Transport systems and solutions enabling economic activity

The transport system powers and connects a globally competitive, inclusive and sustainable NSW. Transport for NSW plays a critical role in driving economic growth and improving quality of life, keeping freight moving productively and sustainably for the people of NSW and Australia, and supporting the transformation of communities into hubs for investment, employment, tourism and essential services. Transport for NSW ensures it delivers value for money through sound financial management and effective custodianship of the state's transport assets.

7. Cash and cash equivalents

	2023 $'000	2022 $'000
Operating account	1,141,478	1,567,110
Remitting account, cash in transit and cash on hand[1]	130,855	121,346
On call deposits	91,650	107,776
Other	147,813	127,959
Cash and cash equivalents[2]	**1,511,796**	**1,924,191**

[1] The remitting account balance above does not include cash of $47.9 million (2022: $39.3 million) relating to administered revenue held by Transport for NSW as at 30 June 2023 (refer to Note 29).
[2] The cash and cash equivalents account balance includes restricted cash (refer to Note 18).

Cash and cash equivalents comprise of cash on hand and cash at bank held predominantly through the Treasury Banking System (TBS). $367.9 million (2022: $319.7 million) of Opal fare box revenue to be paid to service operators and Opal cardholder balances comprise of accounts held through the TBS and outside of the TBS.

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

	2023 $'000	2022 $'000
Cash and cash equivalent (per Statement of financial position)	1,511,796	1,924,191
Cash and cash equivalents (per Statement of cash flows)	**1,511,796**	**1,924,191**

Refer Note 30 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. Receivables

	2023 $'000	2022 $'000
Current receivables:		
Trade receivables from contracts with customers	179,351	54,330
Goods and Services Tax receivable	360,058	271,233
Prepayments	560,752	288,490
Income receivable	70,260	37,594
Property sales	68	206
Other receivables[1]	837,250	509,392
Investment income receivable	105	105
	2,007,844	1,161,350
Less: Allowance for expected credit loss	(13,328)	(8,904)
Current receivables	**1,994,516**	**1,152,446**
Movement in allowance for expected credit loss		
Opening balance at 1 July	(8,904)	(7,524)
Increase in allowance recognised in net result	(4,703)	(1,971)
Amounts written off during the period	275	583
Unused provision reversed	4	8
Balance at 30 June	**(13,328)**	**(8,904)**

	2023 $'000	2022 $'000
Non-current receivables:		
Prepayments	397,172	66,125
Non-current receivables	**397,172**	**66,125**

[1] Other receivables include receivable from NSW Reconstruction Authority $760.5 million (2022: $395.4 million).

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.

9. Contract liabilities

	2023 $'000	2022 $'000
Contract liabilities - current	148,388	91,168
Contract liabilities - non current	132,823	99,791
Contract liabilities	**281,211**	**190,959**

Recognition and measurement

	2023 $'000	2022 $'000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	63,858	265,490
Transaction price allocated to remaining performance obligations from contracts with customers	281,211	190,959

The transaction price allocated to the remaining performance obligations primarily relates to boating fees with licensing periods of 1, 3, 5, and 10 years, and grants and contributions which are anticipated to be recognised as revenue through 2024 to 2026.

Recognition and measurement

Contract liabilities relate to consideration received in advance from customers in respect of licensing fees, and grants and contributions where milestones have not yet been met. The balance of contract liabilities at 30 June 2023 and 30 June 2022 is driven by the amount of revenue that is prepaid by customers before they are utilised.

10. Inventories

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 weighted average 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.

	2023 $'000	2022 $'000
Materials, spare parts and other stores	5,743	6,998
Inventories	**5,743**	**6,998**

11. Financial assets at fair value

	2023 $'000	2022 $'000
Foreign exchange derivatives - cash flow hedges	340	38
Derivatives - Interest rate swaps	11,540	3,031
Current financial assets at fair value	**11,880**	**3,069**
Foreign exchange derivatives - cash flow hedges	10	1,609
Derivatives - Interest rate swaps	38,699	44,165
Non current financial assets at fair value	**38,709**	**45,774**

Refer to Note 30 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

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

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

Transport for NSW holds interest rate swap derivatives to manage its interest rate risk exposure arising from public-private partnership payment commitments, which are not designated in an accounting hedge relationship. The derivatives are categorised as held for trading.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Recognition and measurement

Transport for NSW recognises a financial asset when, and only when, it becomes a party to the contractual provisions of the instrument. To determine this, Transport for NSW considers

- whether there is a legal right to receive cash (financial asset)
- whether at least one of the parties has performed under the agreement.

Transport for NSW 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.

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

Recognition and measurement (cont'd)

(i) Financial assets at fair value through profit and loss

Transport for NSW financial assets at fair value are classified, at initial recognition, as subsequently measured at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds were redeemed in 2022 and converted to cash following changes to Government Sector Finance Act. TCorpIM Funds were classified as financial assets at fair value through profit or loss.

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

12. Non-current assets held for sale

	2023 $'000	2022 $'000
Non-current assets held for sale		
Land and buildings held for sale	8,688	26,877
Plant and equipment	-	44
Non-current assets held for sale	**8,688**	**26,921**

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.

13. Other financial assets

	2023 $'000	2022 $'000
Current other financial assets		
Biodiversity offset deposit	-	1,609
Loan to Sydney Harbour Tunnel Company[1]	-	220,128
Current other financial assets	**-**	**221,737**

	2023 $'000	2022 $'000
Non-current other financial assets		
M2 and Eastern distributor operators promissory notes	96,756	82,466
Loan to Transport Asset Holding Entity of New South Wales	590,306	491,926
Interest free advances to taxi operators	2,283	2,770
Non-current other financial assets	**689,345**	**577,162**

[1] Loan to Sydney Harbour Tunnel Company was repaid at the end of the concessionaire arrangement on 31 August 2022.

Refer to Note 30 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments.

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

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).

13. Other financial assets (cont'd)

Impairment

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

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within 12-months from the balance date (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, Transport for NSW considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

14. Property, plant and equipment

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

	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total property, plant and equipment $'000
As at 30 June 2023				
Gross carrying amount	5,964,451	3,931,589	218,966,153	228,862,193
Accumulated depreciation and impairment	(544,924)	(2,014,089)	(49,901,783)	(52,460,796)
Net carrying amount	**5,419,527**	**1,917,500**	**169,064,370**	**176,401,397**

	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total property, plant and equipment $'000
As at 30 June 2022				
Gross carrying amount	5,928,861	3,902,678	183,631,314	193,462,853
Accumulated depreciation and impairment	(493,503)	(1,814,827)	(39,458,627)	(41,766,957)
Net carrying amount	**5,435,358**	**2,087,851**	**144,172,687**	**151,695,896**

Pages 35 - 38 display the reconciliations of broad categories as a total. The reconciliations of classes of assets are disclosed in Pages 39 – 45 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.

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

Year ended 30 June 2023	Notes	Land and buildings $ '000	Plant and equipment $ '000	Infrastructure systems $ '000	Total property, plant and equipment $ '000
Net carrying amount at the beginning of the year		5,435,358	2,087,851	144,172,687	151,695,896
Additions		124,006	191,681	7,127,924	7,443,611
Disposals	4	(1,177)	(2,101)	(1,888)	(5,166)
Asset write-off	4	-	(1)	(73,202)	(73,203)
Reclassifications within property, plant and equipment		44,963	1,004	(45,967)	-
Reclassifications to intangible assets	16	-	(96,135)	(44,036)	(140,171)
Assets transferred to non-current assets held for sale		(95,454)	-	-	(95,454)
Depreciation expense	2(d)	(37,804)	(214,331)	(2,450,064)	(2,702,199)
Assets recognised for the first time	3(i)	-	280	3,912	4,192
Net increase/(decrease) in asset revaluation reserve		58,484	(48,837)	20,164,198	20,173,845
Revaluation decrement through net result	5	(109,418)	-	-	(109,418)
Equity transfers of property, plant and equipment	23(d)	2,417	2,903	6,054	11,374
Transfer to local councils, NSW government agencies and other parties	2(e)	(1,848)	(4,814)	(218,131)	(224,793)
Transfer from local council	3(e)	-	-	422,883	422,883
Net carrying amount at the end of the year		**5,419,527**	**1,917,500**	**169,064,370**	**176,401,397**

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

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

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

Year ended 30 June 2022	Notes	Land and buildings $ '000	Plant and equipment $ '000	Infrastructure systems $ '000	Total property, plant and equipment $ '000
Net carrying amount at the beginning of the year		5,201,820	1,992,751	132,728,314	139,922,885
Additions		288,295	165,502	6,630,118	7,083,915
Disposals	4	(16,252)	(9,332)	-	(25,584)
Asset write-off	4	(2,378)	(6,725)	(99,267)	(108,370)
Reclassifications within property, plant and equipment		34,169	83,943	(118,112)	-
Reclassifications to intangible assets	16	-	(5,226)	(192,220)	(197,446)
Assets transferred to non-current assets held for sale		(91,116)	(234)	-	(91,350)
Depreciation expense	2(d)	(51,218)	(213,284)	(2,354,108)	(2,618,610)
Assets recognised for the first time	3(i)	-	34	1,528	1,562
Net increase in asset revaluation reserve		110,320	80,336	7,464,357	7,655,013
Revaluation (decrement)/increment through net result	5	(40,714)	-	510,937	470,223
Equity transfers of property, plant and equipment	23(d)	3,876	86	(47,351)	(43,389)
Transfer to local councils, NSW government agencies and other parties	2(e)	-	-	(353,326)	(353,326)
Transfer from local councils	3(e)	-	-	1,817	1,817
Impairment losses	5	(1,444)	-	-	(1,444)
Net carrying amount at the end of the year		**5,435,358**	**2,087,851**	**144,172,687**	**151,695,896**

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

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

Property, plant and equipment held and used by Transport for NSW

As at 30 June 2023	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total $'000
Gross carrying amount	4,627,287	3,931,589	218,579,037	227,137,913
Accumulated depreciation and impairment	(544,058)	(2,014,089)	(49,901,783)	(52,459,930)
Net carrying amount	**4,083,229**	**1,917,500**	**168,677,254**	**174,677,983**

As at 30 June 2022	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total $'000
Gross carrying amount	4,534,113	3,902,678	183,244,927	191,681,718
Accumulated depreciation and impairment	(492,687)	(1,814,827)	(39,458,627)	(41,766,141)
Net carrying amount	**4,041,426**	**2,087,851**	**143,786,300**	**149,915,577**

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:

As at 30 June 2023	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total property, plant and equipment $'000
Net carrying amount at the beginning of the year	4,041,426	2,087,851	143,786,300	149,915,577
Additions	124,006	191,681	7,127,924	7,443,611
Disposals	(1,177)	(2,101)	(1,888)	(5,166)
Asset write-off	-	(1)	(73,202)	(73,203)
Reclassifications within property, plant and equipment	135,512	1,004	(45,967)	90,549
Reclassifications to intangible assets	-	(96,135)	(44,036)	(140,171)
Assets transferred to non-current assets held for sale	(95,454)	-	-	(95,454)
Depreciation expense	(37,769)	(214,331)	(2,450,064)	(2,702,164)
Assets recognised for the first time	-	280	3,912	4,192
Net increase/(decrease) in asset revaluation reserve	54,079	(48,837)	20,163,469	20,168,711
Revaluation decrement through net result	(137,963)	-	-	(137,963)
Equity transfers of property, plant and equipment	2,417	2,903	6,054	11,374
Transfer to local councils, NSW government agencies and other parties	(1,848)	(4,814)	(218,131)	(224,793)
Transfer from local council	-	-	422,883	422,883
Net carrying amount at the end of the year	**4,083,229**	**1,917,500**	**168,677,254**	**174,677,983**

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

Property, plant and equipment held and used by Transport for NSW (cont'd)

As at 30 June 2022	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total property, plant and equipment $'000
Net carrying amount at the beginning of the year	4,167,602	1,992,751	132,351,398	138,511,751
Additions	288,295	165,502	6,630,118	7,083,915
Disposals	(16,252)	(9,332)	-	(25,584)
Asset write-off	(2,378)	(6,725)	(99,267)	(108,370)
Reclassifications within property, plant and equipment	(37,513)	83,943	(118,112)	(71,682)
Reclassifications to intangible assets	-	(5,226)	(192,220)	(197,446)
Assets transferred to non-current assets held for sale	(91,116)	(234)	-	(91,350)
Depreciation expense	(51,186)	(213,284)	(2,354,108)	(2,618,578)
Assets recognised for the first time	-	34	1,528	1,562
Net increase in asset revaluation reserve	113,836	80,336	7,454,886	7,649,058
Revaluation (decrement)/increment through net result	(332,294)	-	510,937	178,643
Equity transfers of property, plant and equipment	3,876	86	(47,351)	(43,389)
Transfer to local councils, NSW government agencies and other parties	-	-	(353,326)	(353,326)
Transfer from local councils	-	-	1,817	1,817
Impairment losses	(1,444)	-	-	(1,444)
Net carrying amount at the end of the year	**4,041,426**	**2,087,851**	**143,786,300**	**149,915,577**

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

Property, plant and equipment where Transport for NSW is lessor under operating leases

As at 30 June 2023	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total $'000
Gross carrying amount	1,337,164	-	387,116	1,724,280
Accumulated depreciation and impairment	(866)	-	-	(866)
Net carrying amount	**1,336,298**	**-**	**387,116**	**1,723,414**

As at 30 June 2022	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total $'000
Gross carrying amount	1,394,748	-	386,387	1,781,135
Accumulated depreciation and impairment	(816)	-	-	(816)
Net carrying amount	**1,393,932**	**-**	**386,387**	**1,780,319**

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:

As at 30 June 2023	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total property, plant and equipment $'000
Net carrying amount at the beginning of the year	1,393,932	-	386,387	1,780,319
Reclassifications within property, plant and equipment	(90,549)	-	-	(90,549)
Depreciation expense	(35)	-	-	(35)
Net increase in asset revaluation reserve	4,405	-	729	5,134
Revaluation increment through net result	28,545	-	-	28,545
Net carrying amount at the end of the year	**1,336,298**	**-**	**387,116**	**1,723,414**

As at 30 June 2022	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total property, plant and equipment $'000
Net carrying amount at the beginning of the year	1,034,218	-	376,916	1,411,134
Reclassifications within property, plant and equipment	71,682	-	-	71,682
Depreciation expense	(32)	-	-	(32)
Net (decrease)/increase in asset revaluation reserve	(3,516)	-	9,471	5,955
Revaluation increment through net result	291,580	-	-	291,580
Net carrying amount at the end of the year	**1,393,932**	**-**	**386,387**	**1,780,319**

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

Land and buildings reconciliation

As at 30 June 2023	Notes	Land $'000	Buildings $'000	Land acquired for future works $'000	Leasehold improvements $'000	Assets under construction $'000	Total $'000
Net carrying amount at the beginning of the year		802,220	511,882	3,938,527	138,653	44,076	5,435,358
Additions		21,906	-	61,851	10,709	29,540	124,006
Disposals		(1,177)	-	-	-	-	(1,177)
Reclassifications within property, plant and equipment		4,540	6,377	33,249	-	797	44,963
Assets transferred to non-current assets held for sale		-	-	(95,454)	-	-	(95,454)
Depreciation expense	2(d)	-	(25,609)	-	(12,195)	-	(37,804)
Net increase in asset revaluation reserve		29,204	29,280	-	-	-	58,484
Net revaluation increment/(decrement) recognised in net result		-	24,714	(134,132)	-	-	(109,418)
Equity transfers of property, plant and equipment		2,417	-	-	-	-	2,417
Transfer to local council		-	-	-	(1,848)	-	(1,848)
Net carrying amount at the end of the year		**859,110**	**546,644**	**3,804,041**	**135,319**	**74,413**	**5,419,527**

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

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

Land and buildings reconciliation (cont'd)

As at 30 June 2022	Notes	Land $'000	Buildings $'000	Land acquired for future works $'000	Leasehold improvements $'000	Assets under construction $'000	Total $'000
Net carrying amount at the beginning of the year		703,278	636,300	3,619,880	80,614	161,748	5,201,820
Additions		697	-	207,848	67,037	12,713	288,295
Disposals		(16,140)	-	-	(112)	-	(16,252)
Asset write-off		-	(2,378)	-	-	-	(2,378)
Reclassifications within property, plant and equipment		1,347	(102,853)	251,489	14,571	(130,385)	34,169
Assets transferred to non-current assets held for sale		-	-	(91,116)	-	-	(91,116)
Depreciation expense	2(d)	-	(27,761)	-	(23,457)	-	(51,218)
Net increase in asset revaluation reserve		110,320	-	-	-	-	110,320
Net revaluation increment/(decrement) recognised in net result		-	8,500	(49,214)	-	-	(40,714)
Equity transfers of property, plant and equipment		2,718	1,518	(360)	-	-	3,876
Impairment losses		-	(1,444)	-	-	-	(1,444)
Net carrying amount at the end of the year		**802,220**	**511,882**	**3,938,527**	**138,653**	**44,076**	**5,435,358**

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

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

Plant and equipment reconciliation

As at 30 June 2023	Notes	Plant and equipment $'000	Buses $'000	Rolling stock $'000	Ferries $'000	Assets under construction $'000	Total $'000
Net carrying amount at the beginning of the year		634,838	324,775	717,823	1,249	409,166	2,087,851
Additions		17	-	-	-	191,664	191,681
Disposals		(1,974)	(127)	-	-	-	(2,101)
Asset write-off		-	-	-	-	(1)	(1)
Reclassifications within property, plant and equipment		19,109	-	-	14,383	(32,488)	1,004
Reclassifications (to)/from intangible assets		1,809	-	-	-	(97,944)	(96,135)
Depreciation expense	2(d)	(147,669)	(38,810)	(26,437)	(1,415)	-	(214,331)
Assets recognised for the first time		280	-	-	-	-	280
Net increase/(decrease) in asset revaluation reserve		437	(18,513)	(35,176)	8,575	(4,160)	(48,837)
Equity transfers of property, plant and equipment		2,903	-	-	-	-	2,903
Transfer to local councils, NSW government agencies and other parties		(4,814)	-	-	-	-	(4,814)
Transfer from assets under construction		-	10,459	-	-	(10,459)	-
Net carrying amount at the end of the year		**504,936**	**277,784**	**656,210**	**22,792**	**455,778**	**1,917,500**

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

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

Plant and equipment reconciliation (cont'd)

As at 30 June 2022	Notes	Plant and equipment $'000	Buses $'000	Rolling stock $'000	Ferries $'000	Assets under construction $'000	Total $'000
Net carrying amount at the beginning of the year		754,424	330,649	692,278	1,385	214,015	1,992,751
Additions		870	-	-	-	164,632	165,502
Disposals		(8,175)	(1,157)	-	-	-	(9,332)
Asset write-off		(6,725)	-	-	-	-	(6,725)
Reclassifications within property, plant and equipment		27,118	7,963	-	-	48,862	83,943
Reclassifications from/(to) intangible assets		13,117	-	-	-	(18,343)	(5,226)
Assets transferred to non-current assets held for sale		(234)	-	-	-	-	(234)
Depreciation expense	2(d)	(146,245)	(42,038)	(24,865)	(136)	-	(213,284)
Assets recognised for the first time		34	-	-	-	-	34
Net increase in asset revaluation reserve		568	29,358	50,410	-	-	80,336
Equity transfers of property, plant and equipment		86	-	-	-	-	86
Net carrying amount at the end of the year		**634,838**	**324,775**	**717,823**	**1,249**	**409,166**	**2,087,851**

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

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

Infrastructure systems reconciliation

As at 30 June 2023	Notes	Roads $ '000	Land under roads and tracks $ '000	Bridges and Tunnels $ '000	Traffic signals network $ '000	Traffic controls network $ '000	Rail systems $ '000	Maritime infrastructure $ '000	Assets under construction $ '000	Total $ '000
Net carrying amount at the beginning of the year		79,186,625	2,553,290	37,448,389	426,232	1,974,723	2,142,131	2,153,002	18,288,295	144,172,687
Additions		24,817	-	25,398	-	-	-	-	7,077,709	7,127,924
Disposals		-	-	-	-	-	-	(1,888)	-	(1,888)
Asset write-off		(63,505)	-	(4,180)	(559)	(2,426)	-	(2,136)	(396)	(73,202)
Reclassifications within property, plant and equipment		2,478,074	(7,141)	3,024,560	19,742	138,374	45,727	57,224	(5,802,527)	(45,967)
Reclassifications to intangible assets		-	-	-	-	-	-	-	(44,036)	(44,036)
Depreciation expense	2(d)	(1,343,093)	-	(664,614)	(51,516)	(289,344)	(50,719)	(50,778)	-	(2,450,064)
Assets recognised for the first time		190	-	3,722	-	-	-	-	-	3,912
Net increase in asset revaluation reserve		11,165,804	614,095	6,714,976	52,174	262,230	184,744	98,708	1,071,467	20,164,198
Equity transfers of property, plant and equipment		-	-	6,054	-	-	-	-	-	6,054
Transfer to local councils, NSW government agencies and other parties		(23,045)	(41)	(501)	-	-	(45,727)	(844)	(147,973)	(218,131)
Transfer from local councils		411,364	3,079	8,440	-	-	-	-	-	422,883
Net carrying amount at end of the year		**91,837,231**	**3,163,282**	**46,562,244**	**446,073**	**2,083,557**	**2,276,156**	**2,253,288**	**20,442,539**	**169,064,370**

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

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

Infrastructure systems reconciliation (cont'd)

Year ended 30 June 2022	Notes	Roads $'000	Land under roads and tracks $'000	Bridges and Tunnels $'000	Traffic signals network $'000	Traffic controls network $'000	Rail systems $'000	Maritime infrastructure $'000	Assets under construction $'000	Total $'000
Net carrying amount at the beginning of the year		74,212,071	2,061,450	34,927,580	305,931	1,855,634	1,927,513	2,088,233	15,349,902	132,728,314
Additions		12,086	826	27,368	-	-	-	-	6,589,838	6,630,118
Asset write-off		(13,780)	-	(47,273)	(2,126)	(5,156)	(1,409)	(2,059)	(27,464)	(99,267)
Reclassifications within property, plant and equipment		2,426,578	32,746	1,058,096	122,895	178,952	350,930	16,763	(4,305,072)	(118,112)
Reclassifications to intangible assets		-	-	-	-	-	-	-	(192,220)	(192,220)
Depreciation expense	2(d)	(1,316,770)	-	(594,614)	(47,116)	(302,336)	(46,407)	(46,865)	-	(2,354,108)
Assets recognised for the first time		810	-	-	511	207	-	-	-	1,528
Net increase in asset revaluation reserve		3,863,818	458,263	1,795,348	46,137	247,422	33,162	96,930	923,277	7,464,357
Net revaluation increment recognised in net result		-	-	290,616	-	-	121,881	-	98,440	510,937
Equity transfers of property, plant and equipment		-	-	-	-	-	-	-	(47,351)	(47,351)
Transfer to local councils, NSW government agencies and other parties		-	-	(8,732)	-	-	(243,539)	-	(101,055)	(353,326)
Transfer from local councils		1,812	5	-	-	-	-	-	-	1,817
Net carrying amount at the end of the year		**79,186,625**	**2,553,290**	**37,448,389**	**426,232**	**1,974,723**	**2,142,131**	**2,153,002**	**18,288,295**	**144,172,687**

Carrying amounts of service concession assets by type of arrangements are disclosed on page 68.

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

Recognition and measurement

(i) Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian accounting standards.

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 23).

(ii) Capitalisation and initial recognition

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.

(iii) Capitalisation thresholds

Property, plant and equipment and intangible assets costing above $5,000 individually, or forming part of a network costing more than $5,000, are capitalised. Items below these amounts are expensed in the period in which they are incurred.

Expenditure (including personnel service costs) in respect of road development and construction, bridge and tunnel replacement and some road safety and traffic management are capitalised as infrastructure systems (refer to Note 2(b)).

(iv) Assets not able to be reliably measured

Transport for NSW has minor cultural collection items such as prints, drawings and artefacts. These have no active market. Items considered immaterial have not been recognised in the Statement of financial position.

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

Recognition and measurement (cont'd)

(v) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09 and TD21-05). 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. Details of property, plant and equipment comprehensive revaluations are summarised as follows:

Asset Category	Asset Class	Date of last comprehensive revaluation
Land and buildings	Land	31 December 2021
	Buildings	31 December 2021
	Land acquired for future roadworks	31 December 2021
	Service concession assets - building	1 July 2019
Plant and equipment	Ferries	31 March 2023
	Buses	31 March 2022
	Rolling stock	31 March 2019/31 March 2020 for Newcastle Light Rail 31 March 2021 for CBD and South East Light Rail
	Service concession assets - equipment	1 July 2019

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

Recognition and measurement (cont'd)

(v) Revaluation of property, plant and equipment (cont'd)

Asset Category	Asset Class	Date of last comprehensive revaluation
Infrastructure systems	Roads	31 March 2023
	Land under roads and tracks	31 March 2023
	Bridges and tunnels	31 March 2023
	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 and South East Light Rail
	Service concession assets - Roads	1 July 2019
	Service concession assets – Bridges and tunnels	1 July 2019
	Service concession assets - Traffic Control	1 July 2019
	Service concession assets - Land Under Roads	31 March 2023

In circumstances where asset values are deemed material, interim revaluations may be performed where cumulative increases/decreases in indicators/indices based on the management assessment are generally less than or equal to 20 per cent. Interim revaluations involve using management (or internal) expertise by applying the relevant indexation factors to the carrying amount. 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.

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

Recognition and measurement (cont'd)

(v) Revaluation of property, plant and equipment (cont'd)

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.

Depreciation of Plant and equipment

Asset	Measurement/Valuation Policy	Depreciation policy
Plant and equipment	Current replacement cost	Depreciated on the straight-line method over the estimated useful life between 2 and 50 years.
Buses	Current replacement cost	Depreciated on the diminishing value method over the estimated useful life between 20 and 25 years.
Rolling stock	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 25 and 30 years.
Ferries	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of 45 and 80 years.
Service concession assets - equipment	Current replacement cost	Depreciated on the straight-line method over the estimated useful life between 5 and 40 years.

For assets measured at current replacement cost, the carrying amount is considered to approximate the fair value of these assets.

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

All material identifiable components of assets are depreciated separately over their useful lives.

Estimates of useful life for depreciation and amortisation purposes have been determined with regard to a number of factors including the expected retention period by Transport for NSW and the underlying physical, technical and commercial nature of the assets as defined in AASB 116 *Property, Plant and Equipment*. In accordance with this standard the shortest alternative useful life is applied.

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	Land and buildings in service are generally valued using the market approach and at current replacement cost (buildings). Where such properties are rented externally they are valued at current market value. Land and buildings in service are subject to comprehensive revaluation every three years by registered valuers. Desktop valuations are carried out in the two years in between to ensure that carrying amounts do not differ materially from fair value at reporting date.	Land is not a depreciable asset. Buildings – Depreciated on the straight-line method over the estimated useful life of between 10 and 99 years.
Land and Buildings Acquired for Future Roadworks (LAFFRW)	LAFFRW comprises of untenanted land for road (ULR), public reserves, rental and surplus properties. With the exception of public reserves, LAFFRW are initially valued at acquisition cost and revalued to current market value on a three year cycle by registered valuers. Desktop valuations are carried out in the two years in between the comprehensive revaluation to ensure that carrying amounts do not differ materially from fair value at reporting date. Public reserves are initially valued at acquisition cost and revalued to the Urban Average Rateable Value per hectare within each Local Government Area (LGA) adjusted by an "open spaces ratio" (OSR).	No depreciation is charged as buildings are not purchased to generate revenue but ultimately to be demolished for roadworks.
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 30 and 50 years.
Service concession asset – land	Current replacement cost	Land is not a depreciable asset.

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

Recognition and measurement (cont'd)

(v) Revaluation of property, plant and equipment (cont'd)

Individual LAFFRW parcels required for road construction are transferred to land under roads AUC when road construction begins. The date of transfer is the construction start date as detailed in the construction contract. At time of transfer, LAFFRW parcels are deemed to have no feasible alternative use and are revalued downwards to reflect the restriction in use. Included in the value of land and buildings in service is a net amount of $100.7 million (2022: $93.4 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 Statement of financial position. Should the Crown land be transferred or disposed of, the associated buildings are written off in the financial year that the transfer or disposal takes place.

Infrastructure systems

Asset	Measurement/Valuation policy	Depreciation policy
Roads	Current replacement cost	Depreciated over estimated useful life using the straight-line method.
Earthworks – not depreciated		- Indefinite
Earthworks – depreciated		- 50 years
Pavement wearing surface – asphalt		- 18 - 25 years
Pavement wearing surface – spray sealed		- 7 - 12 years
Pavement wearing surface – concrete		- 18 - 25 years
Pavement base and sub-base		- 79 - 100 years
Culverts and drainage		- 50 - 100 years
Safety Barriers and Fencing		- 40 - 80 years
Wildlife barriers		- 40 years
Noise walls		- 50 years
Medians		- 50 years
Rest areas		- 10 - 20 years
Other assets (landscape planting, footways, kerbs, line-marking, signs, street lighting, guideposts and retaining walls)		- 20 - 100 years

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

Recognition and measurement (cont'd)

(v) Revaluation of property, plant and equipment (cont'd)

Asset	Measurement/Valuation policy	Depreciation policy
Bridges and tunnels	Current replacement cost	Depreciated over estimated useful life dependant on bridge type using the straight-line method:
Timber structures and timber truss		- 60-100 years
Concrete structures		- 100 years
Steel structures		- 100 years
Bridge size culverts		- 100 years
Tunnels		- 100 years
Traffic signals	Current replacement cost	Depreciated over estimated useful life using the straight-line method.
Lanterns		- 15 years
Posts		- 30 years
Loops		- 10 years
Controller		- 15 years
Civils		- 30 years
Traffic Control Network	Current replacement cost	Depreciated over estimated useful life dependant on asset type using the 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

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

Recognition and measurement (cont'd)

(vi) Revaluation of property, plant and equipment (cont'd)

Asset	Measurement/Valuation policy	Depreciation policy
Land under roads, tracks and within road reserves	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.
Rail systems	Current replacement cost	Depreciated on the straight-line method over estimated useful life of between 15 and 100 years.
Maritime infrastructure		
Wharves and jetties	Current replacement cost	Depreciated on the straight-line method over estimated useful life of between 2 and 50 years.
Seawalls, training walls and revetments	Current replacement cost	Depreciated on the straight-line method over estimated useful life between 9 and 80 years.
Dredging assets - not depreciated	Current replacement cost	Indefinite lives
Dredging assets - depreciated		Depreciated on the straight-line method over estimated useful life of 24 years.
Maritime roads, accessways and slipways	Current replacement cost	Depreciated on the straight-line method over estimated useful life between 5 and 40 years.
Aids to navigation	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 10 and 30 years.
Moorings and wetlands	Income approach Current replacement cost	Indefinite lives Depreciated on the straight-line method over the estimated useful life of between 9 and 50 years.
Other maritime assets	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 1 and 49 years.

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

Recognition and measurement (cont'd)

(v) Revaluation of property, plant and equipment (cont'd)

Asset	Measurement/Valuation policy	Depreciation policy
Service concession assets (tolled motorways) - roads	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 5 and 100 years.
Service concession assets (tolled motorways) - bridges and tunnels	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 3 and 100 years.
Service concession assets (tolled motorways) - traffic control	Current replacement cost	Depreciated on the straight-line method over the estimated useful life of between 3 and 40 years.
Service concession assets (tolled motorways) - land under roads	The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land). The urban Average Rateable Value by LGA is derived from data provided by the Valuer-General.	No depreciation applied as land does not have limited useful life.
Service concession assets – rail systems	Current replacement cost	Depreciated on the straight-line method over estimated useful life of between 8 and 100 years.

Assets under construction are presented separately under land and buildings, plant and equipment, and infrastructure assets categories. The assets under construction relate to and form part of the respective asset classes within those categories. Assets under construction of long term infrastructure projects are valued at current replacement cost using relevant indices and the remaining are measured at cost as a surrogate for fair value.

Valuation methodologies

The methods and significant assumptions applied in estimating these asset class fair values include:

Traffic Signal and Traffic Control Networks

The approach involved the following steps:

- Obtaining asset inventory data for asset types from various sources of databases
- Applying unit rates for technical and structural components where possible to determine the estimated replacement cost for each asset type
- Estimating normal useful lives and remaining useful lives. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

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, wildlife barriers, 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 modern equivalent unit rates to the inventory listings
- Estimating normal useful lives and remaining useful lives based on available 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 historical tender information
- Using the percentage breakdown to derive "known asset" percentages
- Estimating replacement costs based on replacement cost of "known assets"
- Using the estimated replacement cost of "known assets" to derive the costs of the other corridor 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'
- Unit rates from the Transport for NSW historical tender information 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
- Earthworks with high-risk rating (ARL 1 and 2) have been depreciated on a straight-line basis over an estimated useful life of 50 years
- Remaining life extensions of 10 years were applied for sections where the chronological age was close to or over 50 years to reflect their ongoing use.

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 available 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 1-2 years have been applied to base/sub-base and wearing surface components past their useful lives These assumptions are based on current pavement rehabilitation and resurfacing programs.

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

Recognition and measurement (cont'd)

(v) Revaluation of property, plant and equipment (cont'd)

Culvert and Drainage assumptions

- Age calculations for depreciation were determined using the culvert 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 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 live of 10 years in accordance with Transport for NSW current corridor asset management practices
- Longitudinal drainage assumed to be located in urban terrains in Sydney region only. The length of drainage assumed is based on the carriageway type.
- 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.

Safety Barrier and Fencing 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.

Wildlife Barrier assumptions

- 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 wildlife barriers that were past their useful life.

Rest Areas assumptions

- Age calculations for depreciation were determined using the rest area construction date, if available, or the road segment construction date as a proxy
- Rest area paved areas have been assumed based on the rest area type and vehicle parking capacities
- A remaining life extension of 2 years has been applied to the assets that were past their useful life.

Medians assumptions

- Age calculations for depreciation were determined using the median construction date, if available, or the road segment construction date as a proxy
- 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.

Other Corridor Assets assumptions

- Age calculations for depreciation were determined using the road segment construction/rehabilitation date as a proxy
- A remaining life extension of 2 - 5 years has been applied to all other corridor assets that were past their useful life.

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

Recognition and measurement (cont'd)

(v) Revaluation of property, plant and equipment (cont'd)

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 material and other characteristics
- Estimating normal useful lives and remaining useful lives based on element condition data
- Applying depreciation (straight line) based on age/life analysis to estimate fair value. The element condition data collected by Transport for NSW bridge maintenance planners was used to assess the effective age and effective remaining lives of the bridge assets.

Service concession assets tolled motorways

The approach involved the following steps:

- Obtaining asset inventory information from private operators supplemented by as-built drawings to form the basis of valuation analysis for all service concession asset (SCA) toll roads asset classes – roads, bridges, traffic control, and building and equipment
- Applying unit rates to the inventory listing based on the modern equivalent capitalisation type
- Optimising the replacement cost for assets to adjust for over-design, overcapacity, redundant components and operating and maintenance costs
- Estimating normal useful lives and remaining useful lives based on type of asset and construction years
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

Due to the specialised nature of service concession asset toll road arrangements and the fact that toll road assets are not sold, the fair value for these type of arrangements cannot be determined with reference to observable prices in an active market or recent market transactions on arm's length terms. Instead, the fair value has been determined using the valuation techniques outlined above.

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

Recognition and measurement (cont'd)

(v) Revaluation of property, plant and equipment (cont'd)

Maritime infrastructure assets

The approach involved the following steps:

- Obtaining asset inventory data for asset types from various sources of databases
- Applying average unit rates for assets and asset components where possible to determine the estimated replacement cost for each asset type
- Estimating normal useful lives and remaining useful lives based on condition. Remaining life extensions have been applied to all assets which are past their normal useful life but still in use
- Applying depreciation (straight line) based on age/life analysis to estimate fair value.

Rail infrastructure

Rail systems assets were identified as specialised assets and have therefore been valued using the cost approach.

Due to the specialised nature of transport assets and the lack of credible comparable market evidence, the valuation is predominantly undertaken using the Current Replacement Cost method, taking into account relevant indices and high-level costing data at the category level for other light rail where assets are comparable.

(vi) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and current replacement cost, where current replacement cost is also fair value.

Transport for NSW assesses, during each reporting date, whether there is an indication that an asset may be impaired. Where such an indication exists, an estimate of the recoverable amount is made. An impairment loss is recognised in the Statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount unless the asset has been revalued in which case the impairment loss is treated as a revaluation decrease. When the impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Recognition and measurement (cont'd)

(vii) Major inspection costs

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

(viii) Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(ix) Maintenance

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

(x) Right of use assets acquired by lessees

AASB 16 *Leases* requires a lessee to recognise a right of use asset for most leases. Transport for NSW has elected to present right of use assets separately in the Statement of financial position.

Further information on leases is contained at Note 15.

(xi) Derecognition

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

(xii) Service concession assets

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

Based on Transport for NSW assessment, the following arrangements fall in the scope of AASB 1059:

Service Concession Arrangement - Sydney Light Rail	
Description	Sydney Light Rail service concession arrangement.
Name and description of the service concession arrangement	Transport for NSW has a contract with ALTRAC Light Rail Partnership relating to the Sydney Light Rail.
Period of the arrangement	The period of the arrangement is from 17 December 2014 to 28 March 2036.
Terms of the arrangement	The arrangement involves ALTRAC Light Rail Partnership (the operator) being responsible for the design, construction, operations and maintenance of Sydney Light Rail.

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

Recognition and measurement (cont'd)

Service Concession Arrangement - Sydney Light Rail (cont'd)	
Rights and obligations	Transport for NSW regulates the light rail services to be provided to the general public. The arrangement represents a service concession arrangement where upon construction completion and operational commencement, the operator is required to deliver light rail service. In return, Transport for NSW pays consideration for the delivery phase across the project term (i.e. design and construction), and payments for operation and maintenance. The operator is required to hand back the significant residual interest of the assets in the project at the end of the project term.
Changes in arrangements that occurred during the 2022 financial year	Nil
Changes in arrangements that occurred during the 2023 financial year	Nil

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

Recognition and measurement (cont'd)

Service Concession Arrangement – Tolled Motorways	
Description	Tolled Motorways service concession arrangements
Name and description of the service concession arrangements	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: Eastern Distributor Cross City Tunnel Lane Cove Tunnel Westlink M7 Motorway M7 Widening M7-M12 Interchange M5 South-West Motorway M2 Motorway WestConnex including • Stage 1 (M4 Widening and New M4) • Stage 2 (M8 Motorway and M5 East) • Stage 3A (M4-M5 Link) NorthConnex
Period of the arrangements	The period of the arrangements are as below for each motorway: 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 M7 Widening - expected opening date 2026 to 30 June 2052 M7-M12 Interchange - expected opening date 2026 to 30 June 2052 M5 South-West Motorway – August 1992 to December 2026 M2 Motorway – May 1997 to June 2048 WestConnex including • Stage 1 (M4 Widening and New M4) – July 2017 to December 2060 • Stage 2 (M8 Motorway and M5 East) – July 2020 to December 2060 • Stage 3A (M4-M5 Link) – January 2023 to December 2060 NorthConnex – October 2020 to June 2048

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

Recognition and measurement (cont'd)

Service Concession Arrangement – Tolled Motorways (cont'd)	
Description	Tolled Motorways service concession arrangements
Terms of the arrangements	The terms of the arrangements are as below for each motorway: **Eastern Distributor** In consideration of the former RMS (Roads Maritime Services) granting to the concession holder the right to levy and retain tolls on the Eastern Distributor, the concession holder is required to pay concession fees in accordance with the agreement. From the date of Financial Close, which occurred on 18 August 1997, the concession holder has paid $390.0 million (2022:$375.0 million) by way of promissory notes (being $15.0 million on financial close and $15.0 million on each anniversary thereon). A further $2.2 million was received in cash six months after Financial Close and $8.0 million in cash on the third anniversary of Financial Close. 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 2023, the promissory notes have a value of $33.9 million (2022: $30.7 million). Upon the end of 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. **Cross City Tunnel** 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. Reimbursement of certain development costs was from the operator in the form of an upfront cash payment in August 2005. **Lane Cove Tunnel** 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. 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. **Westlink M7 Motorway** 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. 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. 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 The concession receivable was subsequently monetised in October 2015 in which the former RMS received $174.2 million proceeds.

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

Recognition and measurement (cont'd)

Service Concession Arrangement – Tolled Motorways (cont'd)	
Description	Tolled Motorways service concession arrangements
Terms of the arrangements (cont'd)	**M7 Widening and M7-M12 Interchange** On 13 February 2023, the NSW government entered into agreement with the M7 concession holder for the widening of the existing M7 and the construction of M7-M12 Interchange. Under the terms of the agreement, the M7 Widening will be fully funded by the concessionaire whilst Transport for NSW will contribute $312.0 million in cash towards the construction, construction management and property acquisition costs of the M7-M12 Interchange. The remaining balance will be financed by the concession holder. The Project Deed stipulates that the concession holder will operate the motorways until 30 June 2052, after which they 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 motorways. In consideration for building the M7 Widening and M7-M12 Interchange, the agreement also provides for enhanced concession terms to the operator in the form of an extension of the current concession terms on the Westlink M7 motorway to 30 June 2052. **M5 South-West Motorway** 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. 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. 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. Upon the end of the Term the operator must surrender the Toll road 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. **M2 Motorway** 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. 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.

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

Recognition and measurement (cont'd)

Service Concession Arrangement – Tolled Motorways (cont'd)	
Description	Tolled Motorways service concession arrangements
Terms of the arrangements (cont'd)	**M2 Motorway (cont'd)** 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 notes 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. No payments have been made for rents on the leases in 2023 (2022: no payments made). Transport for NSW, as at 30 June 2023, has received promissory notes for rent on the above leases totalling $267.6 million (2022: $253.8 million). The value of these promissory notes as at 30 June 2023 is $62.8 million (2022: $51.7 million). **WestConnex Stage 1** 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. **WestConnex Stage 2** 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. **WestConnex Stage 3** 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. **NorthConnex** Under the terms of the agreement, Transport for NSW has contributed $996.7 million in cash towards the construction, construction management and property acquisition costs, and the balance has been financed by the concession holder. 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. 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.

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

Recognition and measurement (cont'd)

Service Concession Arrangement – Tolled Motorways (cont'd)	
Description	Tolled Motorways service concession arrangements
Rights and obligations	The operator must keep all traffic lanes of the Motorway open to the public for the safe, efficient and continuous passage of vehicles. 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. Upon the end of the Term the operator must yield up to Transport for NSW, where applicable, the tunnels, land, motorways, motorway stratums and/or ancillary works in a fully functional condition which complies with, where applicable, the Scope of Works, Technical Criteria, the Operation and Maintenance Manuals and/or the Project Deed.
Changes in arrangements that occurred during the 2022 financial year	Nil
Changes in arrangements that occurred during the 2023 financial year	Nil

Service Concession Arrangement – B-Line car parks	
Description	B-Line car park service concession arrangements
Name and description of the service concession arrangements	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. 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.
Period of the arrangements	30 to 50 years
Terms of the arrangements	The operators are responsible for the provision public commuter car parking, and maintenance of the car parks, while Transport for NSW will bear a pro rata share of the operator's outgoings in connection with ownership, control, operation, management and maintenance of the premises.
Rights and obligations	The operators can terminate the arrangement, but only in the event of a material breach by Transport for NSW or if monies are outstanding. Transport for NSW has the right to give 3 months' notice to terminate the arrangement and thereafter vacate after removing transport-related equipment and signage. At the end of the term, Transport for NSW can continue to occupy the car park, subject to prior written consent. Transport for NSW can transfer or sublet the arrangement, including to another agency.
Changes in arrangements that occurred during the 2022 financial year	Nil
Changes in arrangements that occurred during the 2023 financial year	Nil

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

Recognition and measurement (cont'd)

Service Concession Arrangement – Sydney Harbour Tunnel	
Description	Sydney Harbour Tunnel
Name & description of the service concession arrangements	Transport for NSW has a contract with a Ventia Australia Pty Ltd for the operation and maintenance of Sydney Harbour Tunnel.
Period of the arrangements	September 2022 to August 2037. Transport for NSW has the option to extend the expiry date for an additional 10 years twice (10 years + 10 years).
Terms of the arrangements	Transport for NSW has entered into an Asset Management Deed with the private operator to operate and maintain the Sydney Harbour Tunnel after the end of the previous service concession arrangement with Sydney Harbour Tunnel Company. Transport for NSW is the owner of Sydney Harbour Tunnel and pays the operator a service payment in relation to the services under the Asset Management Deed.
Rights and obligations	The operator is managing the operations and maintenance services in relation to Sydney Harbour Tunnel under the Asset Management Deed at its own discretion. Therefore, the arrangement between Transport for NSW and the private operator in relation to Sydney Harbour Tunnel is considered a service concession arrangement.
Changes in arrangements that occurred during the 2022 financial year	Nil
Changes in arrangements that occurred during the 2023 financial year	The previous service concession with the Sydney Harbour Tunnel Company ended on 31 August 2022. Transport for NSW has entered into a new service concession arrangement with Ventia Australia Pty Ltd for the operation and maintenance of Sydney Harbour Tunnel starting from 1 September 2022.

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

Recognition and measurement (cont'd)

Service Concession Arrangement – Sydney Road Assets Performance (SRAP) Contracts	
Description	Sydney Road Assets Performance Contracts service concession arrangements
Name & description of the service concession arrangements	Transport for NSW has entered into contracts with three private parties (service providers) based on zoning to deliver key road maintenance and capital projects across the Greater Sydney state road network.
Period of the arrangements	July 2021 to June 2030. Transport for NSW has the option to extend the expiry date for an additional 3 years twice (3 years + 3 years) unless terminated prior.
Terms of the arrangements	Transport for NSW, as the owner of the assets, will determine the strategic direction for its own assets and provide the service providers with an Asset Management Brief which details the outcomes required in the form of key performance indicators. The service provider must manage the assets accordingly, including developing and delivering programs of routine maintenance, capital renewals and asset improvements to achieve these outcomes and progressively take on increased levels of risk in relation to asset performance over the duration of the contract term
Rights and obligations	The operator is managing significant services in relation to Greater Sydney under the Asset Management brief at its own discretion.
Changes in arrangements that occurred during the 2022 financial year	The service concession arrangement commenced in July 2021.
Changes in arrangements that occurred during the 2023 financial year	Nil

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.

As at 30 June 2023	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Total property, plant and equipment $'000
Net carrying amount	342,763	652,659	60,432,552	61,427,974
As at 30 June 2022				
Net carrying amount	320,055	698,328	51,180,622	52,199,005

The carrying amount for each class of arrangement as at reporting dates are as below:

As at 30 June 2023	Toll Roads $'000	Sydney Light Rail $'000	B-Line car parks $'000	Sydney Roads Asset Performance Contract $'000	Total service concession assets $'000
Net carrying amount	30,333,510	2,911,066	27,158	28,156,240	61,427,974
As at 30 June 2022					
Net carrying amount	28,183,541	2,793,122	38,042	21,184,300	52,199,005

Initial recognition

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

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

Subsequent to initial recognition

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

At the end of the arrangement

At the end of the service concession arrangement:

- Transport for NSW accounts for the asset in accordance with other accounting standards, with the entity reclassifying the asset based on its nature or function
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to any of the appropriate approach under AASB 13
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 116.

15. Leases

(a) Transport for NSW as a lessee

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

Transport for NSW leases various properties, land, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 73 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Transport for NSW does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of $0.5 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 net decrease in recognised lease liabilities against right of use assets resulting in a gain of $0.2 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.

15. Leases (cont'd)

(a) Transport for NSW as a lessee (cont'd)

Right of use assets under leases

The following table presents the movement in right of use assets during the year. No right of use assets meet the definition of investment property.

	Notes	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at the beginning of the year		52,104	853,706	905,810
Disposals		(7,107)	(3,450)	(10,557)
Additions		35,867	101,369	137,236
Impairment losses	5	-	(14,140)	(14,140)
Re-measurement of leases		404	3,088	3,492
Depreciation expense	2(d)	(13,138)	(133,566)	(146,704)
Balance at 30 June 2023		**68,130**	**807,007**	**875,137**

	Notes	Land and buildings $'000	Plant and equipment $'000	Restated Total $'000
Balance at the beginning of the year		687,988	849,737	1,537,725
Disposals		(16,511)	(106)	(16,617)
Additions		111,787	138,822	250,609
Re-measurement of leases		(2,034)	(236)	(2,270)
Depreciation expense	2(d)	(74,470)	(134,511)	(208,981)
Derecognition of right of use asset[1]	5	(654,656)	-	(654,656)
Balance at 30 June 2022		**52,104**	**853,706**	**905,810**

[1] Derecognition of right of use assets in relation to the property leases with Property and Development NSW as at 30 June 2022.

15. Leases (cont'd)

(a) Transport for NSW as a lessee (cont'd)

Lease liabilities
The following table presents liabilities under leases.

	Notes	2023 $'000	2022 $'000
Balance at the beginning of the year		936,557	1,715,406
Additions		137,238	250,603
Payments		(250,826)	(310,323)
Interest expense	2(f)	46,067	65,003
Re-measurement of leases		(6,944)	(27,769)
Derecognition of lease liabilities	5	-	(756,363)
Balance at 30 June		**862,092**	**936,557**

Transport for NSW had total cash outflows for leases of $250.8 million (2022: $310.3 million).

The following amounts were recognised in the Statement of comprehensive income in respect to leases where Transport for NSW is the lessee:

	Notes	2023 $'000	2022 $'000
Depreciation expense of right of use assets	2(d)	146,704	208,981
Interest expense on lease liabilities	2(f)	46,067	65,003
Expense relating to short-term leases		681	399
Expense relating to leases of low-value assets		72	667
Gains arising from derecognition of right use assets and lease liabilities	5	-	(93,553)
Total amount recognised in the Statement of comprehensive income		**193,524**	**181,497**

15. Leases (cont'd)

(a) Transport for NSW as a lessee (cont'd)

Leases at significantly below-market terms and conditions principally to enable Transport for NSW to further its objectives

In 2021, Transport for NSW entered into a lease with Infrastructure NSW to accommodate amenities and infrastructure required to operate the Barangaroo Ferry Hub. The leased premises must only be used for this purpose. The lease contract specifies a lease payment of $1. This lease accounts for a small portion of assets owned by Transport for NSW for similar purposes. Therefore, it does not have a significant impact on the Transport for NSW operations.

The initial and subsequent measurement of right of use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the entity to further its objectives is same as normal right of use assets. They are measured at cost, subject to impairment.

Recognition and measurement

Transport for NSW assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Transport for NSW recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

Right of use assets

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

Right of use assets are depreciated on a straight-line basis, apart from buses which are depreciated on a diminishing value method. Leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 1 to 73 years
- Plant and equipment 1 to 25 years.

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

15. Leases (cont'd)

(a) Transport for NSW as a lessee (cont'd)

Recognition and measurement (cont'd)

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

Impairment losses for right of use assets

Transport for NSW recognised $14.1 million impairment losses for right of use assets during the 2023 financial year (2022: nil). Comparative impairment losses for right of use assets are included in Note 5 Other gains/(losses) within the Statement of comprehensive income.

Lease liabilities

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

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

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

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

15. Leases (cont'd)

(a) Transport for NSW as a lessee (cont'd)

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

Transport for NSW lease liabilities are included in borrowings.

Short-term leases and leases of low-value assets

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

(b) Entity as a lessor

Transport for NSW holds properties that are leased to tenants under finance leases and operating leases with rental payable monthly. Lease payments for some contracts include CPI increases or market based, but there are no other variable lease payments that depend on an index or rate.

Lessor for finance leases

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

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

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

In 2023 and 2022, Transport for NSW was not a lessor for any finance leases.

15. Leases (cont'd)

(b) Entity as a lessor (cont'd)

Lessor for operating lease

Future minimum rental receivable (undiscounted) under non-cancellable operating leases are as follows:

	2023 $ '000	2022 $ '000
Within one year	54,590	50,843
One to two years	43,787	45,331
Two to three years	37,914	40,502
Three to four years	29,844	36,681
Four to five years	20,796	27,815
Later than five years	294,521	291,246
Total (excluding GST)	**481,452**	**492,418**

Recognition and measurement

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.

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)	1,663,092	674,703	70,254	58,816	2,466,865
Accumulated amortisation and impairment	(1,126,083)	-	-	(19,825)	(1,145,908)
Net carrying amount at 30 June 2023	**537,009**	**674,703**	**70,254**	**38,991**	**1,320,957**

	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)	1,373,943	616,454	57,803	58,816	2,107,016
Accumulated amortisation and impairment	(902,281)	-	-	(16,996)	(919,277)
Net carrying amount at 30 June 2022	**471,662**	**616,454**	**57,803**	**41,820**	**1,187,739**

16. Intangible assets (cont'd)

Year ended 30 June 2023	Notes	Computer systems $'000	Computer systems work in progress $'000	Biodiversity credits $'000	Easements and other access rights $'000	Total intangibles $'000
Net carrying amount at the beginning of the year		471,662	616,454	57,803	41,820	1,187,739
Additions		-	269,554	10,842	-	280,396
Disposals	4	(1,433)	-	-	-	(1,433)
Asset transfer to equity	23(d)	-	(7,962)	-	-	(7,962)
Transfer to council		(15,326)	-	-	-	(15,326)
Reclassifications from/(to) property, plant and equipment	14	147,873	(7,702)	-	-	140,171
Amortisation expense	2(d)	(239,336)	-	-	(2,829)	(242,165)
Asset write off	4	-	(21,441)	-	-	(21,441)
Impairment losses	5	(631)	-	-	-	(631)
Reclassification between intangible classes		174,200	(174,200)	-	-	-
Reclassifications from other assets		-	-	1,609	-	1,609
Net carrying amount at 30 June 2023		**537,009**	**674,703**	**70,254**	**38,991**	**1,320,957**

Year ended 30 June 2022	Notes	Computer systems $'000	Computer systems work in progress $'000	Biodiversity credits $'000	Easements and other access rights $'000	Total intangibles $'000
Net carrying amount at the beginning of the year		412,966	422,806	67,043	44,979	947,794
Additions		-	227,960	8,444	-	236,404
Disposals	4	(3,501)	-	-	-	(3,501)
Reclassifications from/(to) property, plant and equipment	14	73,723	132,977	(9,254)	-	197,446
Amortisation expense	2(d)	(174,699)	-	-	(3,159)	(177,858)
Retirement		-	-	(8,430)	-	(8,430)
Asset write off	4	(4,116)				(4,116)
Reclassification between intangible classes		167,289	(167,289)	-	-	-
Net carrying amount at the end of the year		**471,662**	**616,454**	**57,803**	**41,820**	**1,187,739**

The net carrying amount of service concession assets included in intangible assets is $39.0 million (2022: $41.8 million). This balance all relates to the Sydney Light Rail service concession arrangement. Refer to Note 14 for further details on service concession arrangements.

16. Intangible assets (cont'd)

Recognition and measurement

Non-service concession arrangements

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

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for Transport for NSW 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.

Asset	Valuation policy	Amortisation policy
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 138 *Intangible assets* (AASB 138), and AASB 136 *Impairment of Assets*.

16. Intangible assets (cont'd)

Service concession assets (cont'd)

At the end of the arrangement

At the end of the service concession arrangement:

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

Asset	Valuation policy	Amortisation policy
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.

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.

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

(a) Fair value hierarchy

Fair value measurements recognised in the Statement of financial position are categorised into the following levels at 30 June 2023.

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
Land and buildings		-	4,639,540	570,255	5,209,795
Land and buildings	14	**-**	**4,639,540**	**570,255**	**5,209,795**
Rolling stock		-	-	754,699	754,699
Buses		-	-	277,784	277,784
Ferries		-	-	22,792	22,792
Plant and equipment	14	**-**	**-**	**1,055,275**	**1,055,275**
Road systems		-	-	161,951,970	161,951,970
Rail systems		-	-	4,744,574	4,744,574
Maritime assets		-	-	2,367,826	2,367,826
Infrastructure systems	14	**-**	**-**	**169,064,370**	**169,064,370**
Non-current assets held for sale	12	**-**	**8,688**	**-**	**8,688**
Total		**-**	**4,648,228**	**170,689,900**	**175,338,128**

Fair value measurements recognised in the Statement of financial position were categorised into the following levels at 30 June 2022.

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
Land and buildings		-	4,721,325	531,303	5,252,628
Land and buildings	14	**-**	**4,721,325**	**531,303**	**5,252,628**
Rolling stock		-	-	717,823	717,823
Buses		-	-	324,775	324,775
Ferries		-	-	1,249	1,249
Plant and equipment	14	**-**	**-**	**1,043,847**	**1,043,847**
Road systems		-	-	137,699,985	137,699,985
Rail systems		-	-	4,214,658	4,214,658
Maritime assets		-	-	2,258,044	2,258,044
Infrastructure systems	14	**-**	**-**	**144,172,687**	**144,172,687**
Non-current assets held for sale	12	**-**	**26,877**	**-**	**26,877**
Total		**-**	**4,748,202**	**145,747,837**	**150,496,039**

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

(b) Valuation techniques, inputs and process

Valuation technique	Valuation input
Land and buildings	
Land and buildings measured at level 3 includes service concession buildings for toll roads. Assets are depreciated over estimated useful life. Fair value is re-valued in interim periods between comprehensive revaluations. The determination of unit replacement rates for valuations is carried out at least every 3 years by externally engaged qualified valuers.	Inputs include current replacement costs, useful lives and asset age.
Roads (including service concession assets under SRAP contracts)	
Current replacement cost of significant road asset components: Pavements Wearing surface Earthworks Culverts Drainage Safety Barriers and Fencing Wildlife-barriers Medians Rest areas Noise walls Other corridor assets Assets are depreciated over estimated useful life depending on road component type (Note 14). 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). The determination of unit replacement rates for road valuations is carried out at least every 5 years by independent externally engaged qualified valuers.	Replacement cost per unit of road asset component. 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. 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.

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

(b) Valuation techniques, inputs and process (cont'd)

Valuation technique	Valuation input
Land under roads and tracks (including service concession assets under SRAP contracts)	
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 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.	Local Government Area rateable land values provided by the NSW Valuer-General. Measurements of land area in situ under roads.
Bridges and tunnels (including service concession assets under SRAP contracts)	
Current replacement cost for the following bridge and tunnel types: Timber structures and timber truss Concrete structures Steel structures Bridge size culverts Tunnels Bridge and tunnel assets are depreciated over estimated useful depending on bridge and tunnel type (Note 14). Cost/m^2 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. Fair value is reassessed in interim periods between comprehensive revaluations by movements in the composite index comprising of the RBCI and the 'other heavy and civil engineering construction' index. The determination of replacement rates for bridge and tunnel valuations is carried out at least every 5 years by independent externally engaged qualified valuers.	Replacement cost per unit of bridge and tunnel assets. 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. 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.

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

(b) Valuation techniques, inputs and process (cont'd)

Valuation technique	Valuation input
Traffic Signals Network	
Current replacement cost major asset components: Lanterns Posts Loops Controller Civils Assets are depreciated over estimated useful life (Note 14). Fair value is reassessed in interim periods between comprehensive revaluations by the movements in a composite index comprising of: • Non-residential building construction index • Heavy and civil engineering construction index • Other heavy and civil engineering construction index • Engineering design and engineering consulting services The determination of traffic signal unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified valuers.	Current unit replacement costs.
Traffic Control Network (including service concession assets under SRAP contracts)	
Depreciated replacement cost of major asset components: Enforcement systems Traffic monitoring units Weather stations Variable speed signs Variable message signs Tidal flow systems Over-speed detection systems Over-height detection systems Vehicle detection classification systems Emergency warning systems Advanced warning systems Changeable message signs Weigh-in-motion systems Street lights Emergency phones School zone warning system Traffic Management Centre Assets are depreciated over estimated useful life depending on component type (Note 14). Fair value is reassessed in interim periods between comprehensive revaluations by the movements in a composite index comprising of: • Non-residential building construction index	Current unit replacement costs.

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

(b) Valuation techniques, inputs and process (cont'd)

Valuation technique	Valuation input
Traffic Control Network(cont'd)	
• Heavy and civil engineering construction index • Other heavy and civil engineering construction index • Engineering design and engineering consulting services The determination of traffic control system unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified valuers.	
Maritime assets	
Current replacement cost for: Wharves and jetties Pontoon Gangway Jetty Other Dredging Seawalls, training walls and revetments Maritime roads, accessways and slipways Aids to navigation Light Buoy Pylon Assets are depreciated over estimated useful life depending on asset type (Note 14). Fair value is reassessed in interim periods between comprehensive revaluations by obtaining letter of assurances from the external valuers. The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers. Income Approach for: Moorings and wetlands Estimates of total revenue earned on long term mooring and wetland leases are capitalised at net present value.	Replacement cost per unit or asset component as specified. Cost per unit/component has been determined by reference to recent construction projects of similar assets. Estimated total lease revenue.
Rail infrastructure	
Current replacement costs for the Pyrmont Light Rail network assets and the Inner West Light Rail extension network assets. 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.	Inputs include: • length of the tracks • overhead power and stabling yards • depreciation methods • expected useful life and remaining life • functional obsolescence • economic obsolescence

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

(b) Valuation techniques, inputs and process (cont'd)

Valuation technique	Valuation input
Rail infrastructure(cont'd)	
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.	• historic cost information • foreign exchange rates.
Plant and equipment	
Plant and equipment at level 3 includes rolling stock related to rail infrastructure. 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.	Inputs include: • replacement cost for modern equivalent assets • expected useful life and remaining life • inputs principally obtained from the manufacturer of the assets.
Buses	
Current replacement cost 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.	Inputs include • panel pricing for buses • the exact specification of the bus • ABS published Transport equipment manufacturing Indexes • the number of buses being replaced at the one time • any inhibiting contractual obligations and/or penalty clauses contained in the contract to supply.
Ferries	
Current replacement cost was estimated based on pricing of like-with-like vessels, indexed for cost increases as based on ABS Producer Price Index data	Inputs include • replacement cost for modern equivalent assets • ABS Producer Price Index data • expected useful life and remaining life.
Service concession assets (tolled motorways) – Roads	
Current optimised replacement cost for all assets. Assets are depreciated over estimated useful life depending on asset type. Fair value is reassessed in interim periods between comprehensive revaluations by adjusting for RBCI. The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged.	Inputs include replacement cost, construction year and useful life.

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

(b) Valuation techniques, inputs and process (cont'd)

Valuation technique	Valuation input
Service concession assets (tolled motorways) – Bridges and Tunnels	
Current optimised replacement cost for all assets. Assets are depreciated over estimated useful life depending on asset type. Fair value is reassessed in interim periods between comprehensive revaluations by movements in the composite index comprising of the RBCI and the 'other heavy and civil engineering construction' index The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.	Inputs include replacement cost, construction year and useful life.
Service concession assets (tolled motorways) – Traffic Control	
Current optimised replacement cost for all assets. Assets are depreciated over estimated useful life depending on asset type. Fair value is reassessed in interim periods between comprehensive revaluations by the movements in a composite index comprising of; • Non-residential building construction index • Heavy and civil engineering construction index • Other heavy and civil engineering construction index • Engineering design and engineering consulting services The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.	Inputs include replacement cost, construction year and useful life.
Service concession assets (Sydney Light Rail and B-line carparks) – Building	
Current optimised replacement cost for all assets. Assets are depreciated over estimated useful life depending on asset type. Fair value is reassessed in interim periods between comprehensive revaluations by the movements in of the non-residential building construction index.	Inputs include replacement cost, construction year and useful life.
The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.	

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

(b) Valuation techniques, inputs and process (cont'd)

Valuation technique	Valuation input
Service concession assets (Sydney Light Rail and B-line carparks) – Equipment	
Current optimised replacement cost for all assets. Assets are depreciated over estimated useful life depending on asset type. The determination of asset replacement rates for valuations is carried out at least every 5 years by externally engaged valuers.	Inputs include replacement cost, construction year and useful life.

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

(c) Reconciliation of level 3 fair value measurement

	Land and buildings $ '000	Buses $ '000	Rolling stock $ '000	Ferries $ '000	Infrastructure systems $ '000	Total level 3 fair value $ '000
Balance at the beginning of the year	531,303	324,775	717,823	1,249	144,172,687	145,747,837
Additions	-	-	12,795	-	7,127,924	7,140,719
Net revaluation increments less revaluation decrements recognised in equity	29,280	(18,513)	(39,335)	8,575	20,164,198	20,144,205
Net revaluation increment recognised in net result	28,845	-	-	-	-	28,845
Transfer from assets under construction	2,882	10,459	-	-	-	13,341
Disposals	-	(127)	-	-	(1,888)	(2,015)
Depreciation expense	(25,609)	(38,810)	(26,437)	(1,415)	(2,450,064)	(2,542,335)
Asset transfer from equity	-	-	-	-	6,054	6,054
Reclassifications to intangible assets	-	-	-	-	(44,036)	(44,036)
Transfer from/(to) other classes of property, plant and equipment	59	-	89,853	14,383	(4,661)	99,634
Asset write-off	-	-	-	-	(73,202)	(73,202)
Transfer from/(to) level 2	3,495	-	-	-	(41,306)	(37,811)
Transfer to local councils, NSW government agencies and other parties	-	-	-	-	(218,131)	(218,131)
Assets recognised for the first time	-	-	-	-	3,912	3,912
Transfer from local councils	-	-	-	-	422,883	422,883
Balance at the end of the year	**570,255**	**277,784**	**754,699**	**22,792**	**169,064,370**	**170,689,900**

Reconciliation of level 3 fair value measurement includes infrastructure assets under construction.

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

(c) Reconciliation of level 3 fair value measurement (cont'd)

As at 30 June 2022	Land and buildings $'000	Buses $'000	Rolling stock $'000	Ferries $'000	Infrastructure systems $'000	Total level 3 fair value $'000
Balance at the beginning of the year	652,503	330,649	692,278	1,385	132,728,314	134,405,129
Additions	-	-	-	-	6,630,118	6,630,118
Net revaluation increments less revaluation decrements recognised in equity	-	29,358	50,410	-	7,464,357	7,544,125
Net revaluation increment recognised in net result	11,931	-	-	-	510,936	522,867
Transfer from assets under construction	-	7,963	-	-	-	7,963
Disposals	-	(1,157)	-	-	-	(1,157)
Depreciation expense	(27,761)	(42,038)	(24,865)	(136)	(2,354,108)	(2,448,908)
Asset transfer from/(to) equity	1,518	-	-	-	(47,351)	(45,833)
Reclassifications to intangible assets	-	-	-	-	(192,220)	(192,220)
Transfer from/(to) other classes of property, plant and equipment	949	-	-	-	(85,103)	(84,154)
Asset write-off	(2,378)	-	-	-	(99,267)	(101,645)
Transfer to level 2	(104,015)	-	-	-	(33,008)	(137,023)
Transfer to local councils, NSW government agencies and other parties	-	-	-	-	(353,326)	(353,326)
Assets recognised for the first time	-	-	-	-	1,528	1,528
Impairment losses	(1,444)	-	-	-	-	(1,444)
Transfer from local councils	-	-	-	-	1,817	1,817
Balance at the end of the year	**531,303**	**324,775**	**717,823**	**1,249**	**144,172,687**	**145,747,837**

Reconciliation of level 3 fair value measurement includes infrastructure assets under construction.

18. Restricted assets

	2023 $'000	2022 $'000
Cash and cash equivalents	805,585	791,731
Restricted assets	**805,585**	**791,731**

Cash and cash equivalents

Cash and cash equivalent assets include restricted cash of $805.6 million (2022: $791.7 million) held within Westpac Bank Accounts that are included in the Treasury Banking System. This is made up of:

- $348.3 million (2022: $413.3 million) in relation to funds administered on behalf of the Maritime Waterways fund. These funds are restricted to activity relating to maritime transactions and are covered by Section 42 of the Ports and Maritime Administration Act 1995.
- $65.9 million (2022: $14.5 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.
- $90.6 million (2022: $107.8 million) held within the Treasury Banking System relating to E-tag security deposits and unused E-Toll topups. Holders of E-tags provided an initial amount as a security deposit for the use of the actual E-tag. All original deposits have been credited to existing customers E-Tag accounts for use on toll roads.
- $53.0 million (2022: $36.2million) held within the Treasury Banking System and relate to land acquisitions by the State under the *Land Acquisition (Just Terms Compensation) Act 1991*. 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.
- $2.3 million (2022: $18.4 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.
- $207.8 million (2022: $201.5 million) held in Westpac Bank ETS Clearing Account are related to total unused funds on patrons' Opal smartcards (Store Value Liability). Holders of Opal Cards make top ups to the smartcards and use these funds for travel on Opal network. The funds need to be available to be refunded if the customers choose to.
- $37.7 million (2022: nil) held for Sydney Harbour Tunnel sinking fund. This is to be held in quarantine for future maintenance and upkeep of the Sydney Harbour Tunnel.

19. Payables

	2023 $'000	2022 $'000
Current		
Trade creditors	495,079	200,774
Accrued expenses	2,508,799	1,915,608
Other creditors	12,613	8,770
Creditors arising from compulsory acquisitions	47,368	340,551
Personnel service	284,658	236,353
Current payables	**3,348,517**	**2,702,056**

The average credit period on purchases of goods is 30 days. Transport for NSW has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 30.

Recognition and measurement

Payables represent liabilities for goods and services provided to Transport for NSW and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, recognised initially at fair value, net of directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

Transport for NSW employees are employed by Transport Service of New South Wales (Transport Service). The personnel services liability represents payable to Transport Service in relation to these employee costs.

20. Borrowings

	2023 $'000	2022 $'000
Current		
Lease liabilities	147,495	159,823
Financial liabilities at fair value	-	392
Service concession financial liabilities[1]	150,285	177,551
Financial liabilities at amortised cost	6,856	-
Current borrowings	**304,636**	**337,766**
Non-current		
Financial liabilities at fair value	-	81
Lease liabilities	714,597	776,734
Service concession financial liabilities[1]	1,637,442	1,764,030
Financial liabilities at amortised cost[2]	590,306	491,926
Non-current borrowings	**2,942,345**	**3,032,771**

[1] Service concession financial liabilities relates to contractual payments to be made to the operator, refer to Note 14 for further details on the entity's service concession arrangements.

[2] Financial liabilities at amortised cost relates to the contractual obligations of Transport for NSW to the private sector for construction works carried out under a PPP contract managed by Transport for NSW on behalf of TAHE the asset owner.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 30.

Repayment of borrowings

	2023 $'000	2022 $'000
Not later than one year	304,636	337,766
Later than one year and not later than five years	926,542	1,456,630
Later than five years	2,015,803	1,576,141
Total repayment of borrowings	**3,246,981**	**3,370,537**

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.

Financial liabilities at amortised cost

Borrowings classified as financial liabilities at amortised cost, including service concession financial liabilities, are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

The carrying amount of the service concession financial liabilities have been calculated based on the present value of future payments using discount rates provided by NSW Treasury as at transition date.

20. Borrowings (cont'd)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading such as derivatives and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term or on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Derivatives are carried as financial liabilities when the fair value is negative. Gains or losses on liabilities held-for-trading are recognised in the net result.

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, the 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 as at 30 June 2023.

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 2023 and as at 30 June 2022. However, refer to Note 25 regarding disclosures on contingent liabilities.

20. Borrowings (cont'd)

Changes in liabilities arising from financing activities

As at 30 June 2023	Other financial liabilities at amortised cost $'000	Leases $'000	Service concession arrangements $'000	Financial liabilities at fair value $'000	Total liabilities from financing activities $'000
Balance at the beginning of the year	491,926	936,557	1,941,581	473	3,370,537
Cash flows	-	(250,826)	(197,264)	-	(448,090)
Additions during the year	104,311	137,238	20,483	-	262,032
Interest expense	925	46,067	22,927	-	69,919
Re-measurement of leases	-	(6,944)	-	-	(6,944)
Other	-	-	-	(473)	(473)
Balance at the end of the year	**597,162**	**862,092**	**1,787,727**	**-**	**3,246,981**

As at 30 June 2022					
Balance at the beginning of the year	354,684	1,715,406	3,028,567	119	5,098,776
Cash flows	-	(310,323)	(1,138,153)	-	(1,448,476)
Additions during the year	137,242	250,603	24,797	-	412,642
Interest expense	-	65,003	26,370	-	91,373
Re-measurement of leases	-	(27,769)	-	-	(27,769)
Other	-	-	-	354	354
Derecognition of lease liabilities with Property and Development NSW	-	(756,363)	-	-	(756,363)
Balance at the end of the year	**491,926**	**936,557**	**1,941,581**	**473**	**3,370,537**

21. Provisions

	2023 $'000	2022 $'000
Current		
Land and buildings remediation	10,191	8,428
Lease make good costs	11,936	9,629
COVID-19 construction pause	6,918	91,113
Other	75,938	20,375
Current provisions	**104,983**	**129,545**
Non-current		
Lease make good costs	24,894	22,058
Biodiversity	52,152	2,642
Non-current provisions	**77,046**	**24,700**

Recognition and measurement

The make good leasehold provision is calculated on all leased properties where Transport for NSW is the lessee and reflects an estimate of the cost to make good the premises to their original condition at the end of the lease term. If the effect of the time value of money is material, provisions are discounted at an average rate of 2.5 percent (2022: 2.6 percent). The level of the provision is reviewed at the end of each reporting period.

The provision for biodiversity represents the best estimate of the expenditure required to settle biodiversity credits arising from Transport for NSW construction works as well as maintain the required level of biodiversity on Transport for NSW land. Other provisions include compliance claims and other contractual obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation including timing of the settlement.

The COVID-19 construction pause provision include delays and additional cost claims received from the subcontractors as a result of disruptions to construction activity in July 2021. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation including timing of the settlement.

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

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

21. Provisions (cont'd)

Movement in provisions

Movements in each class of provision during the financial year are set out below:

	Land and buildings remediation $'000	Lease make good costs $'000	Biodiversity $'000	COVID-19 construction pause $'000	Other $'000	Total $'000
Carrying amount at the beginning of the financial year	8,428	31,687	2,642	91,113	20,375	154,245
Additional provision recognised	4,206	10,200	49,510	-	56,779	120,695
Unused amounts reversed	(2,443)	(4,693)	-	(550)	(586)	(8,272)
Unwinding/change in the discount rate	-	610	-	-	-	610
Amounts used	-	(974)	-	(83,645)	(630)	(85,249)
Carrying amount at the end of financial year	**10,191**	**36,830**	**52,152**	**6,918**	**75,938**	**182,029**

22. Other liabilities

	2023 $'000	2022 $'000
Current		
Statutory creditors	30,127	23,546
Sydney Harbour Tunnel tax liabilities	-	2,660
Opal card holding accounts	230,493	219,221
Other holding accounts	3,175	2,511
E-tag holding accounts	89,808	112,853
Grant of right to operate (GORTO) liability under service concessions[1]	605,444	555,180
Other liabilities[2]	22,275	17,282
Current other liabilities	**981,322**	**933,253**
Sydney Harbour Tunnel tax liabilities	-	443
Grant of right to operate (GORTO) liability under service concessions[1]	16,371,527	16,726,288
Other liabilities[2]	59,346	66,039
Non-current other liabilities	**16,430,873**	**16,792,770**

[1] 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.

[2] Other liabilities include leasehold incentives which are no longer recognised as part of the lease liability under AASB16 and will be offset against the rental expense over the term of the service contract, refer to Note 15(a) for recognition and measurement of these balances.

Refer to Note 3(vi) for a description of the entity's obligations under transfers received to acquire or construct non-financial assets to be controlled by the entity.

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 the Transport for NSW 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	2023 $'000	2022 $'000
Property, plant and equipment transferred from Transport Asset Holding Entity of New South Wales	14	3,010	10
Property, plant and equipment transferred to Transport Asset Holding Entity of New South Wales	14	(593)	(47,349)
Property, plant and equipment transferred from Department of Planning and Environment	14	6,054	2,347
Property, plant and equipment transferred from Sydney Metro	14	2,903	-
Intangibles transferred to Sydney Trains	16	(7,962)	-
Property, plant and equipment transferred from State Transit Authority of New South Wales	14	-	1,603
Cash transferred from State Transit Authority of New South Wales		-	19,468
Receivables transferred from State Transit Authority of New South Wales		-	13,062
Payables transferred from State Transit Authority of New South Wales		-	(117,842)
Equity Transfers		**3,412**	**(128,701)**

2023

On 29 June 2023, the Transport Secretary approved the transfer of Sydney Metro City and Southwest Electronic Ticketing Systems (ETS) assets ($2.9 million) from Sydney Metro to Transport for NSW.

On 16 June 2023, the Transport Secretary approved the transfer of asset under construction costs for Rail Timetable Solutions (RGS) Program ($8.0 million) from Transport for NSW to Sydney Trains.

On 18 May 2023, the Transport Secretary approved the transfer of land located at Sydenham ($3.0 million) from TAHE to Transport for NSW.

On 23 December 2022, the Minister for Lands and Water approved the transfer of Meadowbank Bridge ($6.1 million) including all capital and operational funding from the Department of Planning and Environment - Crown Lands (Crown Lands) to Transport for NSW.

23. Equity and reserves (cont'd)

(d) Equity transfers (cont'd)

2023 (cont'd)

On 21 December 2022, the Transport Secretary approved the transfer of land located at Eveleigh ($0.6 million) from Transport for NSW to TAHE.

2022

On 27 and 28 June 2022, the Secretary approved the transfer of $47.4 million asset under construction cost for the Fast Rail and Central Precinct, Redfern North Eveleigh and Transport Asset Revitalisation programs to TAHE as the ultimate owner and future funding holder for these projects.

On 20 January 2022, the Transport Secretary approved the transfer of part of Lot 8 DP1243994 located at Dubbo together with any assets, rights and liabilities ($10,486) from TAHE to Transport for NSW.

On 23 April 2022, the Transport Secretary approved the transfer of STA's remaining assets, rights and liabilities ($83.7 million) from State Transit Authority of New South Wales (STA) to Transport for NSW.

On 16 March 2022, the Minister Administering the National Parks and Wildlife Act approved the transfer of land located at Bungawalbin and Sherwood ($343,708) from Transport for NSW to National Parks and Wildlife Services.

On 27 August 2021, the Minister for Water, Property and Housing approved the transfer of land located at Nelson Bay ($2.7 million) from Department of Planning and Environment to Transport for NSW.

On 7 April 2021, the Minister Administering the National Parks and Wildlife Act approved the transfer of land located at Kurrajong ($16,756) from Transport for NSW to National Parks and Wildlife Services. The transfer was only recognised in 2022.

Recognition and measurement

Equity transfers represent the transfer of net assets / liabilities between agencies as a result of an administrative restructure transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated funds". This treatment is consistent with NSW Treasury Policy and Guidelines Paper Accounting Policy: *Contribution by owners made to wholly-owned public sector entities* (TPP 21-08), AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners made to Wholly-owned Public Sector Entities*.

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

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

(e) Administrative restructure

There were no administrative restructures in the year ended 30 June 2023 and 30 June 2022.

24. Commitments for expenditure

	2023 $'000	2022 $'000
Capital commitments		
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at balance date and not provided for:		
Not later than one year	6,995,110	6,664,785
Later than one year and not later than five years	7,336,016	3,209,892
Later than five years	405,374	798
Total (including GST)	**14,736,500**	**9,875,475**

The total commitments detailed above include GST input tax credits of $1,339.7 million (2022: $897.7 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 $34.9 million (June 2022: $377.6 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 $824.6 million (June 2022: $161.2 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, that is, class action, proceedings. The project specific insurers are managing the conduct of the proceedings on behalf of Transport for NSW. The Supreme Court delivered its judgment in the proceedings on 19 July 2023. The Court found in favour of two of the three representative plaintiffs' claims. The Court has not yet awarded damages in those two claims. The findings are unique to the two claims and not the other members of the class. Transport for NSW and the insurers are considering the judgment. It is not possible at this stage to estimate any potential financial effect in excess of any available insurance coverage.

Transport for NSW has construction and major project matters in relation to Regional Rail Advice Resolution of Major Disputes and Mona Vale Road Upgrade Project. It is not possible at this stage to estimate any potential financial effect in excess of the insurance coverage from these proceedings.

Transport for NSW has a number of environmental matters emerging from its normal road construction works. There is significant uncertainty as to whether any future liability will emerge in respect of these matters as they are in early state of works, and cannot be reliably measured at this time.

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability for a period of at least 12 months from the date that the 30 June 2023 Prime return for OTSI is submitted to NSW Treasury. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to Government.

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.

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

	Notes	2023 $'000	2022 $'000
Net cash inflows from operating activities		7,140,989	7,604,769
Depreciation and amortisation	2(d)	(3,062,739)	(2,984,086)
M2 and Eastern Distributor Promissory notes	3(c)	14,290	7,640
Revenue related to service concession arrangements	3(i)	577,940	555,173
Other non-cash items		(15,889)	27,512
Property, plant and equipment transferred from councils	14	422,883	1,817
Property, plant and equipment transferred to councils, NSW government agencies and other parties	14	(224,793)	(353,326)
Intangible assets transfer to councils	16	(15,326)	-
Revaluation (decrement)/increment of assets	14	(109,418)	470,223
Net gain on financial assets/liabilities		4,016	45,144
Increase in receivables, inventories and other assets		1,173,400	117,343
Increase in payables and provisions		(878,901)	(19,863)
Impairment losses on property, plant and equipment	5	-	(1,444)
Impairment losses on right of use assets	5	(14,140)	-
Impairment losses on intangibles	5	(631)	-
Derecognition of right-of-use assets and lease liabilities with Property and Development NSW	5	-	93,553
Assets written off	4	(94,644)	(112,486)
Net gain on sale of assets held for sale	4	24,825	9,929
Net losses on sale of property	4	(4,786)	(23,717)
Reconciliation to net result		**4,937,076**	**5,438,181**

27. Non-cash financing and investing activities

	Notes	2023 $'000	2022 $'000
Liabilities in respect of acquisition of plant and equipment		(410,678)	(720,386)
Non-cash financing activities		**(410,678)**	**(720,386)**
Property, plant and equipment acquired through lease/service concession		410,678	720,386
Assets recognised for the first time	3(i)	4,192	1,562
Asset written off	4	(94,644)	(112,486)
Impairment reversal/(losses) on property, plant and equipment	5	-	(1,444)
Impairment losses on right of use assets	5	(14,140)	-
Impairment losses on intangible assets	5	(631)	-
Unrealised gains on derivatives		2,191	48,843
M2 and Eastern Distributor promissory notes	3(c)	14,290	7,640
Net revaluation increment/(decrement) recognised in net result	5, 14	(109,418)	470,223
Property, plant and equipment transferred from councils	14	422,883	-
Property, plant and equipment transferred to councils, NSW government agencies and other parties	2(e), 14	(240,119)	(353,326)
Equity transfers	23(d)	3,412	(43,389)
Resources received free of charge	3(h)	59,262	6,232
Non-cash investing activities		**457,956**	**744,241**
Non-cash financing and investing activities		**47,278**	**23,855**

28. Administered income and expenses

	2023 $'000	2022 $'000
Transfer receipts		
Taxes, fees and fines	672,940	685,091
Stamp duty	1,086,030	957,298
Motor vehicle weight tax and fines	2,682,517	2,479,878
Other	70,043	66,767
Administered income	**4,511,530**	**4,189,034**
Transfer payments		
Taxes, fees and fines	(3,118)	(3,131)
Administered expenses	**(3,118)**	**(3,131)**
Total administered income and expenses	**4,508,412**	**4,185,903**

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 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 expenses. The accrual basis of accounting and all applicable accounting standards have been adopted.

29. Administered assets and liabilities

	2023 $'000	2022 $'000
Cash	47,893	39,274
Administered assets	**47,893**	**39,274**
Holding accounts (current liabilities-other)	47,893	39,274
Other[1]	265,588	275,549
Administered liabilities	**313,481**	**314,823**

[1] The amount of multiple licence fees issued in the current period is approximately $153.5 million (2022: $141.0 million). The maximum period of a licence is 10 years. First year licences are not deemed to be a liability. The outstanding liability above represents the remaining 9 years.

Recognition and Measurement

Transport for NSW administers, but does not control, certain activities on behalf of the Crown in the right of the State of New South Wales and the National Heavy Vehicle Regulator. It is accountable for the transactions relating to those administered activities but does not have discretion, for example, to deploy the resources for the achievement of Transport for NSW 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 principal financial instruments are outlined below. These financial instruments are required to finance Transport for NSW 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 objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout theses financial statements.

The Secretary has overall responsibility for the establishment and oversight of risk management and review, and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set risk limits and controls and to monitor risks. Compliance with these policies is subject to review by the reporting entity on a continuous basis.

(a) Financial instrument categories

Class	Notes	Category	Carrying amount 2023 $'000	Carrying amount 2022 $'000
Financial assets				
Cash and cash equivalents	7	N/A	1,511,796	1,924,191
Receivables[1]	8	Amortised cost	1,073,706	592,723
Financial assets at fair value	11	Fair value through profit or loss – designated as such at initial recognition	50,589	48,843
Other financial assets	13	Amortised cost	689,345	798,899
			3,325,436	**3,364,656**
Financial liabilities				
Payables	19	Financial liabilities measured at amortised cost	3,348,517	2,702,056
Other liabilities[2]	22	Financial liabilities measured at amortised cost	323,701	337,578
Borrowings	20	Financial liabilities measured at amortised cost	3,246,981	3,370,064
Financial liabilities at fair value	20	Fair value through profit or loss – designated as such at initial recognition	-	473
			6,919,199	**6,410,171**

During 2023, there were no defaults on any loans payable (2022: nil).

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7). Includes lease receivables.

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

The entity determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

30. Financial instruments (cont'd)

(b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if Transport for NSW transfers its right to receive cash flows from the assets; or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- Transport for NSW has transferred substantially all the risks and rewards of the asset
- Transport for NSW has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When Transport for NSW has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent it has retained the risks and rewards of ownership. Where Transport for NSW has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset is recognised to the extent of the continuing involvement in the asset by Transport for NSW. 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 $50.6 million (2022: $48.8 million) in derivative financial assets and nil (2022: $0.5 million) in derivative financial liabilities.

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

			Expected Cash Flows			
	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
30 June 2023						
Denominated in US Dollars	0.68	44,123	-	44,123	-	44,123
Denominated in Euros	0.62	9,619	-	8,494	1,125	9,619
Foreign exchange contracts	**0.65**	**53,742**	**-**	**52,617**	**1,125**	**53,742**
Interest rate swap	**-**	**58,617**	**2,638**	**9,239**	**46,740**	**58,617**
30 June 2022						
Denominated in US Dollars	0.72	41,698	460	1,574	39,664	41,698
Denominated in Euros	0.62	14,777	549	10,907	3,321	14,777
Foreign exchange contracts	**0.67**	**56,475**	**1,009**	**12,481**	**42,985**	**56,475**
Interest rate swap	**-**	**56,545**	**(1,350)**	**4,480**	**53,415**	**56,545**

Information about the exposure is provided: credit risk in Note 30(d), the methods and assumptions used in determining fair values of derivatives in Note 30(c).

30. Financial instruments (cont'd)

(c) Derivatives (cont'd)

Foreign exchange risk management

Transport for NSW only uses derivatives for hedging purposes and not as trading or speculative instruments. Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency.

All forward currency contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 9 *Financial Instruments*. The impact on other comprehensive income is due to changes in the fair value of the financial instruments. The impact on equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

Interest rate risk management

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

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

30. Financial instruments (cont'd)

(d) Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk can arise from financial assets of the reporting entity, including cash, receivables, and authority deposit. Transport for NSW holds bank guarantees for significant customers as well as property bonds for some leased premises. Transport for NSW has not granted any financial guarantees and do not hold any collateral.

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

Transport for NSW considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Transport for NSW may also consider a financial asset to be in default when internal or external information indicates that Transport for NSW is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the reporting entity.

Cash and cash equivalents
Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on restricted bank balances at the current Reserve Bank of Australia official cash rate.

Derivatives
Transport for NSW limits its exposure to credit risk by entering into derivative financial instruments only with approved counterparties that have an acceptable credit rating. Derivative counterparties are limited to high creditworthy organisations in the energy industry.

Accounting policy for impairment of trade debtors and other financial assets

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

The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payment for a period of greater than 90 days past due. These changes on loss allowance for trade debtors as at 30 June 2023 and 30 June 2022 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.

30. Financial instruments (cont'd)

(d) Credit risk (cont'd)

The entity recognised a provision for expected credit losses on its trade debtors in the amount of $13.3 million at 30 June 2023 (2022: $8.9 million).

Trade Debtors	Current $'000	<31 days $'000	31-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
30 June 2023						
Expected credit loss rate	0.01%	0.73%	0.28%	4.98%	20.00%	
Estimated total gross carrying amount at default	121,562	9,568	27,687	1,971	65,345	226,133
Expected credit loss	15	70	77	98	13,068	13,328
30 June 2022						
Expected credit loss rate	0.06%	0.32%	5.00%	9.00%	32.00%	
Estimated total gross carrying amount at default	54,600	27,023	2,672	2,292	26,143	112,730
Expected credit loss	35	87	145	197	8,440	8,904

The ageing analysis excludes statutory receivables, prepayments as these are not within the scope of *AASB 7*.

(e) Liquidity risk

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

During the current and prior year, there were no defaults of loans payable and no assets have been pledged as collateral. Transport for NSW 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.

NSW Treasury obtained a Government Sector Finance Act 2018 (GSF Act) financial arrangements approval for an aggregate facility borrowing limit for all GSF agencies under purchasing card and other card facilities of $700.0 million on 9 February 2023. Transport for NSW had an amount owing of $12.2 million, for spend that forms part of the aggregate facility borrowing limit as at 30 June 2023.

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 any interest rate exposure.

			Interest rate exposure			Maturity dates		
	Weighted average effective Int. rate (%)	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
30 June 2023								
Payables								
Trade creditors	-	495,079	-	-	495,079	495,079	-	-
Accrued expenses	-	2,508,799	-	-	2,508,799	2,508,799	-	-
Other creditors	-	59,981	-	-	59,981	59,981	-	-
Personnel service payable	-	284,658	-	-	284,658	284,658	-	-
Other liabilities	-	323,701	-	-	323,701	323,701	-	-
Borrowings								
Lease liabilities	4.86%	1,068,253	1,068,253	-	-	186,041	474,843	407,369
Service concession financial liabilities	1.26%	1,939,119	20,859	1,918,260	-	151,153	563,905	1,224,061
Other financial liabilities at amortised cost	4.99%	1,539,688	1,539,688	-	-	6,856	184,373	1,348,459
		8,219,278	**2,628,800**	**1,918,260**	**3,672,218**	**4,016,268**	**1,223,121**	**2,979,889**
30 June 2022								
Payables								
Trade creditors	-	200,774	-	-	200,774	200,774	-	-
Accrued expenses	-	1,915,608	-	-	1,915,608	1,915,608	-	-
Other creditors	-	349,321	-	-	349,321	349,321	-	-
Personnel service payable	-	236,353	-	-	236,353	236,353	-	-
Other liabilities	-	337,578	-	-	337,578	337,135	443	-
Borrowings								
Lease liabilities	4.78%	1,151,939	1,151,939	-	-	200,997	524,696	426,246
Service concession financial liabilities	1.24%	2,115,556	71,553	2,044,003	-	197,296	548,349	1,369,911
Other financial liabilities at amortised cost	5.01%	1,532,943	1,532,943	-	-	4,281	703,976	824,686
Derivative financial instruments								
Financial liabilities at fair value	-	473	-	-	473	392	81	-
	-	**7,840,545**	**2,756,435**	**2,044,003**	**3,040,107**	**3,442,157**	**1,777,545**	**2,620,843**

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 exposure to market risk is primarily through interest rate risk on Transport for NSW borrowings, foreign exchange risks associated with overseas purchase commitments and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Investment Facilities. Transport for NSW does not enter into commodity contracts.

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.

Interest rate risk

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

A reasonably possible change of +/- 1 percent is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Transport for NSW exposure to interest rate risk is set out in the table below:

	2023 $'000	
	-1%	**+1%**
Net result	2,591	(2,591)
Equity	2,591	(2,591)
	2022 $'000	
	-1%	**+1%**
Net result	(2,332)	2,332
Equity	(2,332)	2,332

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

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

		+10%		-10%	
As at 30 June 2023	**Contract value $'000**	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Denominated in US Dollars	44,123	4,412	-	(4,412)	-
Denominated in Euros	9,619	962	-	(962)	-
Foreign exchange contracts	**53,742**	**5,374**	**-**	**(5,374)**	**-**
As at 30 June 2022					
Denominated in US Dollars	41,698	4,170	-	(4,170)	-
Denominated in Euros	14,777	1,356	121	(1,356)	(121)
Foreign exchange contracts	**56,475**	**5,526**	**121**	**(5,526)**	**(121)**

30. Financial instruments (cont'd)

(g) Fair value recognised in the Statement of financial position

As at 30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value				
Derivative financial instruments	-	50,589	-	50,589
Financial assets at fair value	**-**	**50,589**	**-**	**50,589**
Financial liabilities at fair value				
Derivative financial instruments	-	-	-	-
Financial liabilities at fair value	**-**	**-**	**-**	**-**

As at 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value				
Derivative financial instruments	-	48,843	-	48,843
Financial assets at fair value	**-**	**48,843**	**-**	**48,843**
Financial liabilities at fair value				
Derivative financial instruments	-	473	-	473
Financial liabilities at fair value	-	**473**	**-**	**473**

Transport for NSW uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

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

Transport for NSW has assessed the fair value of its foreign exchange derivatives and interest rate swap derivatives on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date. The fair value of the interest rate swap derivative is based on market value at the reporting date.

The fair value of the energy derivative is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

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

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

30. Financial instruments (cont'd)

(h) 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:

	2023		2022	
	Fair value $'000	Carrying amount $'000	Fair value $'000	Carrying amount $'000
Financial assets				
Financial assets at amortised cost - Transport Asset Holding Entity of New South Wales	474,183	590,306	446,000	491,926
Financial liabilities				
Service concession financial liabilities at amortised cost - CBD and South East Light Rail	1,446,881	1,766,867	1,789,868	1,870,056
Financial liabilities at amortised cost - Regional Rail	474,183	590,306	446,000	491,926

The fair value of financial assets and liabilities are calculated using Transport for NSW incremental borrowing rates, which are based on TCorp lending rates.

31. Related party disclosures

a) Key management personnel compensation

During the year, Transport for NSW incurred $7.5 million (2022 $7.4 million) in respect of the key management personnel services that are provided by the Department of Transport and Transport Service of NSW. The amount incurred excludes long service leave and defined benefit superannuation scheme benefits assumed by the Crown in the right of the State of New South Wales in accordance with NSW TC 16-12 *Related party disclosures*.

	2023 $'000	2022 $'000
Salaries and other benefits	7,493	7,446
Total remuneration	**7,493**	**7,446**

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 (2022: 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 (2022: nil).

31. Related party disclosures (cont'd)

d) Transactions with government related entities during the financial year

During the financial year ended 30 June 2023, 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:

- Grants from the Department of Transport
- Grants and contributions from the Crown Finance Entity
- Monthly reimbursements from TAHE for the design and construction of major rail projects
- Loan and corresponding interest from TAHE
- Recoupment of project costs incurred by Transport for NSW on behalf of Sydney Trains, Sydney Metro and Department of Planning and Environment
- Recoupment of services provided to Transport cluster agencies
- Grants paid to various related parties including Sydney Trains, NSW Trains, Sydney Metro, Sydney Ferries and OTSI
- Road safety grants paid to NSW Police to support drug and alcohol screening
- 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 and Development NSW
- Equity transfers from/to TAHE to Transport for NSW under the *Transport Administration Act 1988*
- Equity transfers from Sydney Metro to Transport for NSW under the *Transport Administration Act 1988*
- Equity transfers from Transport for NSW to Sydney Trains under the *Transport Administration Act 1988*
- Equity transfer from Department of Planning and Environment under the *Crown Land Management Act 2016*
- Insurance payment to and adjustment from Insurance and Care NSW and the Treasury Managed Fund (TMF)
- Front-line service delivery fees and associated grant revenue from Service NSW
- Pass through of administered funds collected by Transport for NSW on behalf of Insurance and Care NSW
- Reimbursement of funds from NSW Reconstruction Authority for natural disasters
- Professional services and external works provided/received from various agencies including Sydney Trains, NSW Trains, TAHE, Department of Education, Department of Planning and Environment, Infrastructure NSW, Ministry of Health and NSW Self Insurance Corporation
- Grants paid to Sydney Water and reimbursements from Sydney Water.

32. After balance date events

The NSW Government commissioned in 2023 several independent reviews and taskforces to inform decision-making and to recommend actions on key matters. One of these reviews is the Strategic Infrastructure Review (SIR). Decisions to cancel certain capital projects were made by Cabinet in August 2023 and reflected in the 2024 State Budget that was published in September 2023 based on policy positions informed by the work performed to date by the SIR. The capital projects that have been cancelled in August and September 2023 had a fair value of $200.4 million recorded as assets under construction within Property, Plant and Equipment as at 30 June 2023. A review of the composition of the assets under construction is underway and assessments will be made in 2024 with respect of assets that can be redeployed to other capital projects and/or written-off due to impairment. Additional costs, which are yet to be quantified, may be incurred as part of the close-out of these projects and will also be recognised as expenses in 2024.

The appropriated amount hypothecated to the Transport for NSW Fund as at 30 June 2023 of $6,341.9 million (refer to Note 3(a)) has been reduced to nil as at the signing date of this report. On 6 September 2023, the Treasurer transferred $1,300.0 million to the Transport for NSW Fund, which reduced the appropriated amount hypothecated to the Transport for NSW Fund to $5,041.9 million. A transitional provision has since been inserted into Schedule 7 to the *Transport Administration Act 1988* which has the effect of transferring $5,041.9 million from the Transport for NSW Fund to the Consolidated Fund, effective 27 September 2023.

End of audited financial statements.

INDEPENDENT AUDITOR'S REPORT

Transport for NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Transport for NSW, which comprise the Statement by the Secretary, the Statement of comprehensive income for the year ended 30 June 2023, the Statement of financial position as at 30 June 2023, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly Transport for NSW's financial position, financial performance and cash flows.

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

Basis for Opinion

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

I am independent of Transport for NSW in accordance with the requirements of the:

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

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

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 2023. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Valuation of property, plant and equipment	
At 30 June 2023, Transport for NSW reported \$176 billion in property, plant and equipment measured at fair value. The closing balance of property, plant and equipment includes a net revaluation increment of \$20.1 billion recorded during the year ended 30 June 2023. 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 • 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 the following: • obtained an understanding of Transport NSW's approach to estimating the fair value of property, plant and equipment • 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 • assessed whether the valuation methodology met the requirements of Australian Accounting Standards and NSW Treasurer's Directions • assessed the sufficiency and appropriateness of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.

Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf. 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.

Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

27 October 2023
SYDNEY

NSW GOVERNMENT

2022–23

Transport Service of New South Wales

Annual Financial Statements
for the year ended 30 June 2023

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Transport Service of New South Wales
Statement by the Secretary
for the year ended 30 June 2023

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 2023, 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.

Josh Murray
Secretary

13 October 2023

Transport Service of New South Wales
Statement of comprehensive income
for the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Expenses excluding losses			
Employee related expenses	2(a)	2,693,388	2,510,955
Other operating expenses	2(b)	51	50
Total expenses excluding losses		**2,693,439**	**2,511,005**
Revenue			
Grants and contributions	3(c)	51	50
Acceptance by the Crown of employee benefits and other liabilities	3(b)	69,149	9,609
Personnel service revenue	3(a)	2,624,239	2,499,131
Total revenue		**2,693,439**	**2,508,790**
Net result		**-**	**(2,215)**
Other comprehensive income			
Items that will not be reclassified to net result			
Remeasurement of defined benefit superannuation schemes	7	-	2,215
Total other comprehensive income		**-**	**2,215**
Total comprehensive income		**-**	**-**

The accompanying notes form part of these financial statements.

Transport Service of New South Wales
Statement of financial position
as at 30 June 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	43,989	73,580
Receivables	5	369,298	290,276
Total current assets		**413,287**	**363,856**
Non-current assets			
Receivables	5	-	31,756
Total non-current assets		**-**	**31,756**
Total assets		**413,287**	**395,612**
LIABILITIES			
Current liabilities			
Payables	6	36,277	30,330
Employee benefits	7	352,800	335,512
Total current liabilities		**389,077**	**365,842**
Non-current liabilities			
Employee benefits	7	24,210	29,770
Total non-current liabilities		**24,210**	**29,770**
Total liabilities		**413,287**	**395,612**
Net assets		**-**	**-**
EQUITY			
Accumulated funds		-	-
Total equity		**-**	**-**

The accompanying notes form part of these financial statements.

Transport Service of New South Wales
Statement of changes in equity
for the year ended 30 June 2023

	Notes	Accumulated funds $ '000	Total equity $ '000
Balance at 1 July 2022		**-**	**-**
Net result for the year		**-**	**-**
Other comprehensive income			
Remeasurement of defined benefit superannuation schemes	7	-	-
Total other comprehensive income		**-**	**-**
Total comprehensive income for the year		**-**	**-**
Transactions with owners in their capacity as owners			
Transfer to/from the Crown	8	-	-
Balance at 30 June 2023		**-**	**-**
Balance at 1 July 2021		**-**	**-**
Net result for the year		**(2,215)**	**(2,215)**
Other comprehensive income			
Remeasurement of defined benefit superannuation schemes	7	2,215	2,215
Total other comprehensive income		**2,215**	**2,215**
Total comprehensive income for the year		**-**	**-**
Transactions with owners in their capacity as owners			
STA Employment Group defined benefit superannuation liability transferred to the Crown	8	132,484	132,484
Extinguishment of personnel service receivable due from STA	8	(132,484)	(132,484)
Balance at 30 June 2022		**-**	**-**

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 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Payments			
Employee related		(2,606,618)	(2,555,293)
Total payments		**(2,606,618)**	**(2,555,293)**
Receipts			
Personnel services		2,577,027	2,597,501
Total receipts		**2,577,027**	**2,597,501**
Net cash flows from operating activities	9	**(29,591)**	**42,208**
Cash flows from investing activities			
Net cash flows from investing activities		**-**	**-**
Cash flows from financing activities			
Net cash flows from financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**(29,591)**	**42,208**
Opening cash and cash equivalents		73,580	31,372
Closing cash and cash equivalents	4	**43,989**	**73,580**

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

The Transport Service of New South Wales (Transport Service) was established on 1 November 2011 as a not-for-profit agency (as profit is not its principal objective) to employ staff to enable Transport for NSW, which cannot directly employ staff, to undertake its functions. Transport Service also directly employs staff for Sydney Metro, and senior executives of Sydney Trains and NSW Trains. Transport Service also directly employed staff for State Transit Authority (STA) until STA ceased operating towards the end of the prior financial year.

The salaries and related costs are recovered from the relevant entities to which the employees are assigned except for long service leave and defined benefits superannuation scheme expenses relating to Transport for NSW, Sydney Metro, Sydney Trains and NSW Trains which are assumed by the Crown.

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

The financial statements of Transport Service for the year ended 30 June 2023 were authorised for issue by the Secretary on the date the accompanying statement was signed.

(b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- Treasurer's Directions issued under the GSF Act.

Financial statements items are prepared in accordance with the historical cost convention except for superannuation. Refer Note 7.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

(c) Critical accounting estimates, judgements and assumptions

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

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

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

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

(d) Statement of compliance

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

(e) Comparative information

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

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

(i) Effective for the first time in 2023

The accounting policies applied in 2023 are consistent with those of the previous financial year. The amendments and interpretations that apply for the first time in 2023 do not have significant impact on the financial statements of Transport Service.

(ii) New Australian Accounting Standards issued but not effective

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

The following new standards and amendments have been issued but are not yet effective.

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2024
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*	1 January 2023
AASB 17 *Insurance Contracts*	1 January 2023
AASB 2022-1 *Amendments to the Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information*	1 January 2023
AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	1 January 2024
AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*	1 January 2023
AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*	1 July 2026

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

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

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

The possible impact of these standards and amendments in the period of initial application includes:

- AASB 17 *Insurance Contracts* (AASB 17) and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* (AASB 2022-9)

  AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard introduces specific scoping criteria to determine if an arrangement is an insurance contract which may result in arrangements previously accounted for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to be captured under AASB 17. AASB 2022-9 amends AASB 17 to prescribe specific public sector requirements. The standards apply to public sector entities for annual reporting periods beginning on or after 1 July 2026. The impact at this stage is yet to be determined by Transport Service.

The impact of the other standards and amendments are not anticipated to be significant.

(g) Impact of COVID-19 on financial reporting for 2023

There is no material impact on the financial statements of Transport Service as a result of the COVID-19 pandemic.

(h) Superannuation on annual leave loading

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

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

2. Expenses excluding losses

(a) Employee related expenses

	2023 $'000	2022 $'000
Salaries and wages (including annual leave)	2,231,511	2,117,200
Superannuation - defined benefit plan	9,004	8,943
Superannuation - defined contribution plan	220,274	194,132
Long service leave expense/(expense reversal)	59,945	(3,599)
Workers compensation insurance	16,918	25,292
Payroll tax and fringe benefit tax	137,241	116,327
Redundancies	17,593	51,873
Other employment benefits	902	787
Employee related expenses	**2,693,388**	**2,510,955**

(b) Other operating expenses

	2023 $'000	2022 $'000
Auditor's remuneration - audit of financial statements	51	50
Other operating expenses	**51**	**50**

3. Revenue

(a) Personnel service revenue

	2023 $'000	2022 $'000
Fee for personnel services	2,624,239	2,499,131
Personnel service revenue	**2,624,239**	**2,499,131**

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

	2023 $'000	2022 $'000
Superannuation - defined benefit	9,004	10,763
Long service leave	59,664	(1,672)
Payroll tax	481	518
Acceptance by the Crown of employee benefits and other liabilities	**69,149**	**9,609**

(c) Grants and contributions

	2023 $'000	2022 $'000
Grant from Transport for NSW	51	50
Grants and contributions	**51**	**50**

3. Revenue (cont'd)

Recognition and measurement

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to Transport Service and the income can be reliably measured.

Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

Income from grants (other than contribution by owners) is recognised when the entity obtains control over the contribution. The entity is deemed to have assumed control when the grant is received or receivable.

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer as defined by AASB 15 *Revenue from Contracts with Customers*.

Revenue from rendering of personnel services is recognised when the entity satisfies the performance obligation by transferring the promised services.

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

4. Cash and cash equivalents

	2023 $'000	2022 $'000
Cash at bank	43,989	73,580
Cash and cash equivalents	**43,989**	**73,580**

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank.

	2023 $'000	2022 $'000
Cash and cash equivalents (per Statement of financial position)	43,989	73,580
Closing cash and cash equivalents (per Statement of cash flows)	**43,989**	**73,580**

Refer to Note 10 for details regarding credit risk and market risk arising from financial instruments.

5. Receivables

	2023 $'000	2022 $'000
Personnel service receivables	369,298	289,861
Workers compensation recoveries	-	415
Current receivables	**369,298**	**290,276**
Personnel services receivable	-	29,904
Workers compensation recoveries	-	1,852
Non-current receivables	**-**	**31,756**

5. Receivables (cont'd)

Recognition and measurement

The entity recognises a receivable when, and only when, it becomes a party to the contractual provisions of the instrument. To determine this, the entity considers:

- whether there is a legal right to receive cash (financial asset); or
- whether at least one of the parties has performed under the agreement.

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

Subsequent measurement

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

Impairment

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

For personnel service receivables, the allowance for ECLs is nil as the counterparties are government entities and the risk of unrecoverable debtors is extremely low.

6. Payables

	2023 $'000	2022 $'000
Accruals - salaries and oncosts	34,360	25,675
Creditors	1,917	4,655
Current payables	**36,277**	**30,330**

Recognition and measurement

Payables include accrued salaries and wages and related on-costs (such as 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.

Refer to Note 10 for details regarding credit risk and market risk arising from financial instruments.

7. Employee benefits

	2023 $'000	2022 $'000
Annual leave[1]	272,485	254,633
Long service leave[2]	62,392	62,094
Workers compensation insurance[3]	3,382	5,892
Payroll tax	10,842	8,995
Severance payments / redundancies	3,699	3,898
Current employee benefits	**352,800**	**335,512**
Long service leave[2]	6,136	5,872
Workers compensation insurance[3]	18,074	23,898
Non-current employee benefits	**24,210**	**29,770**
Employee benefits - current	352,800	335,512
Employee benefits - non-current	24,210	29,770
Accruals - salaries and on-costs	34,360	25,675
Total employee benefits and related on-costs	**411,370**	**390,957**

[1] It is estimated that the provision for annual leave includes an amount of $85.2 million that is expected to be taken more than 12 months after the balance date (30 June 2022: $125.5 million).

[2] The provision for long service leave represents consequential costs not assumed by the Crown for Transport for NSW, Sydney Metro, Sydney Trains and NSW Trains employees as per TC 21/03. It is estimated that the current provision for long service leave includes an amount of $31.1 million that is expected to be taken more than 12 months after the balance date (30 June 2022: $17.7 million).

[3] Includes STA employees' self-insurance arrangement for legacy workers compensation.

7. Employee benefits (cont'd)

Recognition and measurement

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

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although simplified methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Transport Service has assessed the actuarial advice based on Transport Service's circumstances and has determined that the effect of discounting is immaterial to annual leave.

All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

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

(ii) Long service leave and superannuation

Transport Service's liabilities for long service leave and defined benefit superannuation are either assumed by the Crown or the entity itself.

For liabilities that are assumed by the Crown, Transport Service accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of employee benefits and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense recognised in the Statement of comprehensive income comprises:
- defined contribution plans, the expense is calculated as a percentage of the employees' salary
- defined benefit plans, the expense is a multiple of the employees' superannuation contributions as specified in the Treasury Circular *"Accounting for Superannuation"* (NSW TC 18/10).

When liabilities are assumed by Transport Service, they are recognised in the Statement of financial position and measured as follows:
- long service leave is measured as the present value of expected future payments to be made in respect of employee's service up to the reporting date, in accordance with AASB 119 *Employee Benefits*. This is based on an actuarial assessment. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service
- contributions to defined contribution plans are expensed when incurred. The superannuation expense is calculated as a percentage of the employee's salary. A liability is recognised only to the extent of unpaid employer contributions at reporting date

7. Employee benefits (cont'd)

Recognition and measurement (cont'd)

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

- for defined benefit plans not assumed by the Crown, actuarial valuations were carried out at each reporting date by Mercer and the actuarial gains and losses were recognised outside of the net result in other comprehensive income in the year in which they occur. Expenses were 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 was 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 was actuarially determined. There is no actuarial valuation by Mercer required in the current financial year as the defined benefit superannuation schemes related to the STA Employment Group were assumed by the Crown on 6 December 2021.

(iii) Consequential on-costs

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

Defined benefit superannuation overview for STA Employment Group

This overview only relates to the STA Employment Group whose defined benefit superannuation schemes were assumed by the Crown on 6 December 2021. The tables following reconcile the movement of defined superannuation balances from 1 July 2021 until 6 December 2021, when the balances were assumed by the Crown.

- **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.

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

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

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

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

- **Description of other entities' responsibilities for the governance of the fund – Para 139(a)(iii)**

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

- administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules
- management and investment of the fund assets, and
- compliance with other applicable regulations.

- **Reconciliation of the net defined benefit liability/(asset) – Para 140(a)**

Year ended 30 June 2022	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Net defined benefit liability/(asset) at start of year	136,699	(5,629)	6,184	137,254
Current service cost	382	141	-	523
Net interest on the net defined benefit liability/(asset)	844	(36)	38	846
Actual return on fund assets less interest income	(3,091)	(410)	(401)	(3,902)
Actuarial (gains)/losses arising from changes in financial assumptions	2,916	(32)	419	3,303
Actuarial (gains)/losses from liability experience	(1,034)	(756)	174	(1,616)
Employer contributions	(630)	(104)	-	(734)
Transfers out – external party	(2,960)	(230)	-	(3,190)
Transfer out to the Crown	(133,126)	7,056	(6,414)	(132,484)
Net defined benefit liability/(asset) at end of year	**-**	**-**	**-**	**-**

7. Employee benefits (cont'd)

Defined benefit superannuation overview for STA Employment Group (cont'd)

- **Reconciliation of the fair value of fund assets – Para 140(a)(i)**

Year ended 30 June 2022	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of fund assets at the beginning of the year	114,358	14,638	13,550	142,546
Interest income	644	85	85	814
Actual return on fund assets less interest income	3,091	410	401	3,902
Employer contributions	630	104	-	734
Contributions by participants	298	-	-	298
Benefits paid	(11,727)	(844)	(339)	(12,910)
Transfers out – external party	(11,874)	(1,218)	-	(13,092)
Transfer out to the Crown	(95,420)	(13,175)	(13,697)	(122,292)
Fair value of fund assets at end of the year	**-**	**-**	**-**	**-**

- **Reconciliation of the defined benefit obligation – Para 140(a)(ii)**

Year ended 30 June 2022	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligation at beginning of the year	251,057	9,009	19,734	279,800
Current service cost	382	141	-	523
Interest cost	1,488	49	123	1,660
Contributions by participants	298	-	-	298
Actuarial (gains)/losses arising from changes in financial assumptions	2,916	(32)	419	3,303
Actuarial (gains)/losses arising from liability experience	(1,034)	(756)	174	(1,616)
Benefits paid	(11,727)	(844)	(339)	(12,910)
Transfer out to the Crown	(228,546)	(6,119)	(20,111)	(254,776)
Transfers out – external party	(14,834)	(1,448)	-	(16,282)
Present value of defined benefit obligations at end of the year	**-**	**-**	**-**	**-**

- **Net result impact**

Year ended 30 June 2022	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Current service cost	382	141	-	523
Net interest	844	(36)	38	846
(Gains)/Loss on settlement	-	-	-	-
Defined benefit cost	**1,226**	**105**	**38**	**1,369**

- **Other comprehensive income**

Year ended 30 June 2022	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Actuarial (gains)/losses on liabilities	1,882	(788)	593	1,687
Actual return on fund asset less interest income	(3,091)	(410)	(401)	(3,902)
Total remeasurement in other comprehensive income	**(1,209)**	**(1,198)**	**192**	**(2,215)**

8. Equity transfers

	2023 $'000	2022 $'000
STA Employment Group defined benefit superannuation liability transferred to the Crown	-	132,484
Extinguishment of personnel service receivable due from STA	-	(132,484)
Equity transfers	**-**	**-**

Recognition and Measurement

Equity transfers represent the transfer of net assets / liabilities between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and "equity appropriations". These equity transfers are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated funds". This treatment is consistent with NSW Treasury Policy and Guidelines Paper Accounting Policy: Contribution by owners made to wholly-owned public sector entities (TPP 21-08), AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners made to Wholly-owned Public Sector Entities*.

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

All other equity transfers are recognised at fair value, except for intangibles.

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

	2023 $'000	2022 $'000
Net cash flows from operating activities	(29,591)	42,208
Non cash acceptance by the Crown of employee entitlements	69,149	9,609
Non cash expense (long service leave and superannuation assumed by the Crown)	(69,149)	(9,609)
Actuarial losses/(gains)	-	(2,215)
(Decrease)/increase in receivables	47,266	(219,965)
Decrease/(increase) in payables	(5,947)	(4,640)
Decrease/(increase) in employee benefits	(11,728)	182,397
Net result	**-**	**(2,215)**

10. Financial instruments

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

The reporting entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of the reporting entity do not expose it to a variety of financial risks such as credit, liquidity or market risk. The main risks arising from any financial instrument of the reporting entity are outlined below together with the reporting entity's objectives, policies and processes for measuring and managing the risks.

Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary of the reporting entity has overall responsibility for the establishment and oversight of risk management and review and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the entity on a continuous basis.

(a) Financial instrument categories

	Note	Category	Carrying amount 2023 $'000	Carrying amount 2022 $'000
Financial assets				
Class:				
Cash and cash equivalents	4	N/A	43,989	73,580
Receivables[1]	5	Financial assets (at amortised cost)	369,298	322,032
			413,287	**395,612**
Financial liabilities				
Class:				
Payables[2]	6	Financial liabilities (at amortised cost)	36,277	30,330
			36,277	**30,330**

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB7)
[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

(b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if Transport Service transfers the financial assets:
- where substantially all the risks and rewards have been transferred; or
- where Transport Service has not transferred substantially all the risks and rewards, if it has not retained control.

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

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

10. Financial instruments (cont'd)

(c) Credit risk

Credit risk arises where a debtor or counterparty does not complete their obligations, resulting in financial loss to Transport Service.

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions.

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

(i) Cash

Cash comprises bank balances within the NSW Treasury Banking System.

(ii) Receivables – personnel service receivables

All personnel service receivables are recognised as amounts receivable at balance date. Personnel service receivables are employee related. All debtors are NSW government agencies and no debtor balances are considered impaired as at 30 June 2023.

(d) Liquidity risk

Liquidity risk is the risk that Transport Service will be unable to meet its payment obligations when they fall due. Transport Service continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets primarily in the form of cash at bank.

During the current and prior year, there were no defaults of loans payables and no assets have been pledged as collateral.

			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
2023 Payables:								
Accrued salaries, wages and on-costs	-	34,360	-	-	34,360	34,360	-	-
Creditors	-	1,366	-	-	1,366	1,366	-	-
Total	**-**	**35,726**	**-**	**-**	**35,726**	**35,726**	**-**	**-**
2022 Payables:								
Accrued salaries, wages and on-costs	-	25,675	-	-	25,675	25,675	-	-
Creditors	-	4,117	-	-	4,117	4,117	-	-
Total	**-**	**29,792**	**-**	**-**	**29,792**	**29,792**	**-**	**-**

10. Financial instruments (cont'd)

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The entity has no exposure to foreign currency risk and does not enter into commodity contracts.

(f) Fair value compared to carrying amount

Financial instruments are recognised at amortised cost. The carrying value of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

11. Related party disclosures

(a) Key management personnel compensation

All of the entity's key management personnel compensation is 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, and Sydney Metro. Transport Service and these fellow entities are members of the Department of Transport consolidated entity group.

Long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW, Sydney Metro, Sydney Trains and NSW Trains staff employed by Transport Service were assumed by the Crown.

(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 (2022: no transactions or outstanding balances).

12. Contingent liabilities and contingent assets

Transport Service had no contingent liabilities or contingent assets at 30 June 2023 or 30 June 2022.

13. After balance date events

No events have occurred after the balance date that would have a material impact on the financial statements.

End of audited financial statements.

INDEPENDENT AUDITOR'S REPORT

Transport Service of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Transport Service of New South Wales (the Transport Service), which comprise the Statement by the Secretary, the Statement of comprehensive income for the year ended 30 June 2023, the Statement of financial position as at 30 June 2023, 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 Transport 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 Transport 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).

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

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, Transport for NSW (the Secretary), is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Transport 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. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Transport 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.

Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

16 October 2023
SYDNEY

2022–23

Sydney Ferries

Annual Financial Statements
for the year ended 30 June 2023

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Sydney Ferries
Statement by the Chief Executive
for the year ended 30 June 2023

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 2023, and the financial performance and cash flows for the year ended on that date.

2) These financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Government Sector Finance Act 2018*, the Government Sector Finance Regulation 2018 and NSW Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Howard Collins
Acting Chief Executive

11 October 2023

Sydney Ferries
Statement of comprehensive income
for the year ended 30 June 2023

	Notes	2023 Actual $'000	2022 Actual $'000
Expenses excluding losses			
Operating expenses			
Other operating expenses	2(a)	1,921	2,492
Depreciation and amortisation	2(b)	11,260	9,855
Finance costs	2(c)	8	9
Total expenses excluding losses		**13,189**	**12,356**
Revenue			
Operational revenue	3(a)	5,641	5,404
Investment revenue	3(b)	1,815	67
Grants and contributions	3(c)	2,368	23,229
Other income	3(d)	1,161	1,280
Total revenue		**10,985**	**29,980**
Loss on disposal	4	(105)	-
Other gains	5	8,454	13,833
Net result		**6,145**	**31,457**
Other comprehensive income			
Changes in revaluation surplus of property, plant and equipment	8(b)	6,878	4,585
Total other comprehensive income		**6,878**	**4,585**
Total comprehensive income		**13,023**	**36,042**

The accompanying notes form part of these financial statements.

Sydney Ferries
Statement of financial position
as at 30 June 2023

	Notes	Actual 2023 $'000	Actual 2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	55,620	62,372
Receivables	7	1,891	971
Total current assets		**57,511**	**63,343**
Non-current assets			
Property, plant and equipment	8	114,842	98,721
Intangible assets	9	33,472	27,327
Right of use assets	10	308	394
Total non-current assets		**148,622**	**126,442**
Total assets		**206,133**	**189,785**
LIABILITIES			
Current liabilities			
Payables	12	9,294	5,371
Borrowings	13	89	84
Provisions	14	1,417	1,724
Other liabilities	15	1,406	1,758
Total current liabilities		**12,206**	**8,937**
Non-current liabilities			
Borrowings	13	257	346
Provisions	14	1,245	1,100
Total non-current liabilities		**1,502**	**1,446**
Total liabilities		**13,708**	**10,383**
Net assets		**192,425**	**179,402**
EQUITY			
Accumulated funds		173,474	167,329
Reserves		18,951	12,073
Total equity		**192,425**	**179,402**

The accompanying notes form part of these financial statements.

Sydney Ferries
Statement of changes in equity
for the year ended 30 June 2023

	Accumulated funds $'000	Asset revaluation surplus $'000	Total equity $'000
Balance at 1 July 2022	**167,329**	**12,073**	**179,402**
Net result for the year	**6,145**	**-**	**6,145**
Other comprehensive income			
Net change in revaluation surplus of property, plant and equipment	-	6,878	6,878
Balance at 30 June 2023	**173,474**	**18,951**	**192,425**
Balance at 1 July 2021	**135,872**	**7,488**	**143,360**
Net result for the year	**31,457**	**-**	**31,457**
Other comprehensive income			
Net change in revaluation surplus of property, plant and equipment	-	4,585	4,585
Balance at 30 June 2022	**167,329**	**12,073**	**179,402**

The accompanying notes form part of these financial statements.

Sydney Ferries
Statement of cash flows
for the year ended 30 June 2023

	Notes	Actual 2023 $'000	Actual 2022 $'000
Cash flows from operating activities			
Payments			
Payments to former employees		(133)	(361)
Finance costs		(8)	(9)
Payments to suppliers		(1,371)	(400)
Total payments		**(1,512)**	**(770)**
Receipts			
Operational revenue		5,621	4,864
Interest received		1,815	67
Grants and contributions		2,368	23,229
Total receipts		**9,804**	**28,160**
Net cash flows from operating activities	19	**8,292**	**27,390**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(14,960)	(7,222)
Net cash flows from investing activities		**(14,960)**	**(7,222)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(84)	(79)
Net cash flows from financing activities		**(84)**	**(79)**
Net (decrease) / increase in cash and cash equivalents		**(6,752)**	**20,089**
Opening cash and cash equivalents		62,372	42,283
Closing cash and cash equivalents	6	**55,620**	**62,372**

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

Sydney Ferries is a statutory corporation established by the *Transport Administration Act 1988*. Sydney Ferries is a NSW Government Agency pursuant to Section 2.4(1)(i) of the *Government Sector Finance Act 2018* and is a controlled entity of Transport for NSW (TfNSW).

TfNSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector (ultimate parent).

Sydney Ferries was initially established to deliver public ferry services in Sydney. On 3 May 2012 the Minister for Transport announced that Harbour City Ferries (HCF) was awarded a contract to operate ferry services on Port Jackson and the Parramatta River for seven years under a new Ferry system contract between HCF and TfNSW. The contract commenced on 28 July 2012. On 27 February 2019, the Minister for Transport and Infrastructure announced that Transdev Sydney Ferries (formerly operating as HCF) was awarded the contract to continue operating ferry services in Sydney from 28 July 2019. Transdev Sydney Ferries leases the vessels, land and buildings from Sydney Ferries. The initial contract term is for 9 years, with options for termination at year 5 and at year 8 at TfNSW's discretion.

The financial statements for the year ended 30 June 2023 were authorised for issue by the Acting Chief Executive on the date on which the accompanying Statement by the Chief Executive was signed.

(b) Basis of preparation

The financial statements of Sydney Ferries have been prepared as general purpose financial statements on an accrual basis in accordance with:

- applicable Australian Accounting Standards and Interpretations
- the requirements of the *Government Sector Finance Act 2018* (GSF Act)
- NSW Treasurer's Directions issued under the GSF Act.

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

(c) Statement of compliance

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

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognised in the period in which the estimate is revised and in any future periods affected.

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

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

(d) Use of estimates and judgements (cont'd)

(i) Critical judgements in applying the accounting policies:

Determination of for-profit or not-for-profit
Sydney Ferries is a not-for-profit entity as profit is not its principal objective.

Going concern
The financial statements have been prepared on a going concern basis which assumes that Sydney Ferries 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.

(e) 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 21-4). Accordingly, tax effect accounting is not prepared.

(iii) State taxes

Sydney Ferries is exempt from land tax.

(f) 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.

(g) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being Sydney Ferries' operational cycle. In the case of liabilities where Sydney Ferries does not have the unconditional right to defer settlement beyond 12 months, the liability is classified as current even if not expected to be settled within the next 12 months.

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

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

(i) Effective for the first time in 2023

The accounting policies applied in 2023 are consistent with those of the previous financial year.

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the financial statements of Sydney Ferries.

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

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

The following new standards and amendments have been issued but are not yet effective.

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2024
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*	1 January 2023
AASB 17 *Insurance Contracts*	1 January 2023
AASB 2022-1 *Amendments to the Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information*	1 January 2023
AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*	1 January 2024
AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	1 January 2024
AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*	1 January 2023
AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*	1 July 2026
AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*	1 January 2024
AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*	1 January 2024

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

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

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

The possible impact of these standards and amendments in the period of initial application includes:

- AASB 17 *Insurance Contracts* (AASB 17) *and* AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* (AASB 2022-9)

AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard introduces specific scoping criteria to determine if an arrangement is an insurance contract which may result in arrangements previously accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets to be captured under AASB 17. AASB 2022-9 amends AASB 17 to prescribe specific public sector requirements. The standards apply to public sector entities for annual reporting periods beginning on or after 1 July 2026. The impact at this stage is yet to be determined by Sydney Ferries.

- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (AASB 2022-10)

AASB 2022-10 amends AASB 13 Fair Value Measurement for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. For these assets, AASB 2022-10 clarifies when an entity is required to consider whether the asset's highest and best use differs from its current use, under what circumstances the asset's use is considered 'financially feasible', and when an entity should use its own assumptions as a starting point in developing unobservable inputs. AASB 2022-10 also provides guidance on how the cost approach is to be applied to measure the asset's fair value. The standard applies prospectively to annual periods beginning on or after 1 January 2024. The impact of the standard is not yet known and is yet to be determined by Sydney Ferries.

The impact of the other standards and amendments are not anticipated to be significant.

(i) Impact of COVID-19 on financial reporting for 2023

There is no material impact on the financial statements of Sydney Ferries as a result of the COVID-19 pandemic.

(j) Superannuation on annual leave loading

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

2. Expenses excluding losses

(a) Other operating expenses

	2023 $'000	2022 $'000
Auditor's remuneration - audit of financial statements	45	44
General expenses	39	11
Disposal costs*	63	1,559
Repairs and maintenance	1,374	428
Administration	400	450
Other operating expenses	**1,921**	**2,492**

* Disposal costs relate to provisions recognised for disposal of ferries that are no longer in service or will be retired from service in the next 12 months and greater than 12 months of 30 June (refer to Note 14).

(b) Depreciation and amortisation

	Notes	2023 $'000	2022 $'000
Buildings		416	434
Ferries		9,615	8,013
Plant and equipment		184	184
Depreciation property, plant and equipment	8(b)	**10,215**	**8,631**
Right of use asset - land and buildings		86	86
Depreciation right of use assets	10(a)	**86**	**86**
Total depreciation		**10,301**	**8,717**
Computer software		959	1,138
Amortisation	9	**959**	**1,138**
Depreciation and amortisation		**11,260**	**9,855**

(c) Finance costs

		2023 $'000	2022 $'000
Interest expense from lease liabilities	10(b)	8	9
Finance costs		**8**	**9**

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.

2. Expenses excluding losses (cont'd)

Recognition and measurement (cont'd)

(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) Operational revenue

	2023 $'000	2022 $'000
Ferry lease revenue	5,641	5,404
Operational revenue	**5,641**	**5,404**

(b) Investment revenue

	2023 $'000	2022 $'000
Interest income	1,815	67
Investment revenue	**1,815**	**67**

(c) Grants and contributions

	2023 $'000	2022 $'000
Grants from Transport for NSW	2,368	23,229
Grants and contributions	**2,368**	**23,229**

(d) Other income

	Notes	2023 $'000	2022 $'000
Major periodic maintenance revenue	8(b)	1,161	1,280
Other income		**1,161**	**1,280**

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* (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15. The accounting policies for the income recognition are discussed below.

Revenue is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Revenue is not recognised unless receipt is probable and the amount is reliably measureable. Revenue is recognised on major income categories as follows:

(i) Lease revenue

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

3. Revenue (cont'd)

Recognition and measurement (cont'd)

(ii) Investment revenue

Interest revenue is recognised in the Statement of comprehensive income as it accrues, using the effective interest method.

(iii) Grants to acquire/construct a recognisable non-financial asset

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

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

(iv) Major periodic maintenance (MPM) revenue

MPM revenue relates to major refit work performed by the ferry service operator (Transdev) on vessels owned by Sydney Ferries. MPM revenue is recognised in line with performance of work undertaken by Transdev. When the work on each vessel is completed, the costs are capitalised to property, plant & equipment and equivalent non-cash MPM revenue is recognised. Note 8 Recognition and measurement (vi) contains further information about the recognition of dry docking assets.

4. Loss on disposal

	Notes	2023 $'000	2022 $'000
Net carrying amount of property, plant and equipment disposed	8(b)	(105)	-
Loss on disposal		**(105)**	**-**

5. Other gains

	Notes	2023 $'000	2022 $'000
Revaluation increment	8(b)	2,961	12,894
Impairment losses on ferries assets	8(b)	(144)	(522)
Impairment reversals on right to receive assets	9	5,637	1,461
Other gains		**8,454**	**13,833**

6. Cash and cash equivalents

	2023 $'000	2022 $'000
Cash at bank and on hand	55,620	62,372
Cash and cash equivalents	**55,620**	**62,372**

6. Cash and cash equivalents (cont'd)

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:

	2023 $'000	2022 $'000
Cash and cash equivalents (per Statement of financial position)	55,620	62,372
Cash and cash equivalents (per Statement of cash flows)	**55,620**	**62,372**

Refer Note 21 for details regarding credit risk and market risk arising from financial instruments.

Recognition and measurement

Cash is carried at its principal amount and is subject to an insignificant risk of changes in value. Cash includes cash at bank and cash on hand.

7. Receivables

	2023 $'000	2022 $'000
Current receivables		
Trade debtors	517	495
Goods and Services Tax recoverable	1,366	468
Prepayments	8	8
Current receivables	**1,891**	**971**

Details regarding credit risk of trade receivables that are neither past due nor impaired, are disclosed in Note 21.

Recognition and measurement

(i) Receivables

Sydney Ferries recognises a financial asset when, and only when, it becomes a party to the contractual provisions of the instrument. To determine this, Sydney Ferries considers:

- whether there is a legal right to receive cash (financial asset); or
- whether at least one of the parties has performed under the agreement.

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

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

(ii) Impairment of financial assets

Sydney Ferries recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that Sydney Ferries 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.

8. 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
At 30 June 2023						
At fair value – Gross carrying amount	29,896	5,508	428,180	16,207	444,387	479,791
Accumulated depreciation and impairment	(10,215)	(1,924)	(352,810)	-	(352,810)	(364,949)
Net carrying amount at 30 June 2023	**19,681**	**3,584**	**75,370**	**16,207**	**91,577**	**114,842**
At 30 June 2022						
At fair value – Gross carrying amount	27,115	5,508	380,545	1,506	382,051	414,674
Accumulated depreciation and impairment	(13,896)	(1,740)	(300,317)	-	(300,317)	(315,953)
Net carrying amount at 30 June 2022	**13,219**	**3,768**	**80,228**	**1,506**	**81,734**	**98,721**

8. 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:

At 30 June 2023	Notes	Land and buildings $'000	Plant and equipment $'000	Ferries $'000	Assets under construction $'000	Total ferries $'000	Total property, plant and equipment $'000
Net carrying amount at beginning of the year		**13,219**	**3,768**	**80,228**	**1,506**	**81,734**	**98,721**
Additions		-	-	-	15,585	15,585	15,585
Major periodic maintenance additions	3(d)	-	-	-	1,161	1,161	1,161
Reclassification between PPE classes		-	-	1,901	(1,901)	-	-
Net increase in asset revaluation reserve		6,878	-	-	-	-	6,878
Revaluation increment through profit and loss	5	-	-	2,961	-	2,961	2,961
Disposals	4			(105)		(105)	(105)
Impairment losses	5	-	-	-	(144)	(144)	(144)
Depreciation expense	2(b)	(416)	(184)	(9,615)	-	(9,615)	(10,215)
Net carrying amount at 30 June 2023		**19,681**	**3,584**	**75,370**	**16,207**	**91,577**	**114,842**

At 30 June 2022	Notes	Land and buildings $'000	Plant and equipment $'000	Ferries $'000	Assets under construction $'000	Total ferries $'000	Total property, plant and equipment $'000
Net carrying amount at the beginning of the year		**9,068**	**3,952**	**68,303**	**935**	**69,238**	**82,258**
Additions		-	-	-	6,857	6,857	6,857
Major periodic maintenance additions	3(d)	-	-	-	1,280	1,280	1,280
Reclassification between PPE classes		-	-	7,044	(7,044)	-	-
Net increase in asset revaluation reserve		4,585	-	-	-	-	4,585
Revaluation increment through profit and loss	5	-	-	12,894	-	12,894	12,894
Impairment losses	5	-	-	-	(522)	(522)	(522)
Depreciation expense	2(b)	(434)	(184)	(8,013)	-	(8,013)	(8,631)
Net carrying amount at 30 June 2022		**13,219**	**3,768**	**80,228**	**1,506**	**81,734**	**98,721**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 11.

8. 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 $114.8 million as at 30 June 2023 (30 June 2022: $98.7 million). This includes land and buildings $19.7 million (30 June 2022: $13.2 million), plant and equipment $3.6 million (30 June 2022: $3.8 million) and ferries $91.6 million (30 June 2022: $81.7 million).

Estimates:

Management assesses whether there is any indication that an asset may be impaired based on the estimated usage of the assets and other factors at each reporting date.

Valuations:

(a) Property, plant and equipment were revalued in accordance with the basis of valuation set out below.
(b) The following non-current assets were independently valued by registered valuers:

Class of assets	Date of valuation
Land and buildings	28 February 2023
Ferries	31 March 2023

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

(c) Service concession assets

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

Based on Sydney Ferries' assessment, the following arrangement falls within the scope of AASB 1059 *Service Concession Arrangements: Grantors* (AASB1059):

Description	Service concession arrangement
Name & description of the SCA	Ferry system contract (contract to operate ferry services in Sydney)
Period of the arrangement	The period of the arrangement commenced on 28 July 2019 for a period of 9 years with options for termination at year 5 and at year 8 at TfNSW's discretion
Terms of the arrangement	The private operator uses ferries and other assets owned by Sydney Ferries to provide ferry services to public commuters. The main service contract is entered into between the operator and TfNSW. Sydney Ferries (as the asset owner) has entered into leases with the operator for the existing fleet and shipyard.
Rights and obligations	The operator is responsible for the provision of end-to-end ferry services including planning, managing and operating Sydney Ferries services on Sydney Harbour and along the Parramatta River. The Operator will: a) Plan and schedule ferry services, subject to TfNSW guidelines and oversight; b) Deliver ferry services for customers; c) Maintain the leased fleet, Balmain Shipyard and other infrastructure; and d) Hand back all leased assets at the end of term at the required standard. Sydney Ferries is responsible for providing the operator with access to the core assets to provide ferry services.
Changes in arrangements occurred during the year ended 30 June 2022	None
Changes in arrangements occurred during the year ended 30 June 2023	None

8. 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 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 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 price that would be received to sell an asset in an orderly transaction between market participants at measurement date. 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 8(c)).

	Land and buildings $ '000	Plant and equipment $'000	Ferries $ '000	Assets under construction $ '000	Total ferries $ '000	Total property, plant and equipment $ '000
At 30 June 2023						
Net carrying amount	19,681	3,584	75,370	16,207	91,577	114,842
At 30 June 2022						
Net carrying amount	13,219	3,768	80,228	1,506	81,734	98,721

(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 (AASB 13).

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* (AASB 116), and AASB 136 *Impairment of Assets* (AASB 136).

8. 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, with Sydney Ferries reclassifying the asset based on its nature or function
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13
- the asset is only derecognised when Sydney Ferries loses control of the asset in accordance with AASB 116.

(iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP21-09 and TD21 -05). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property* (AASB 140).

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 that maximise relevant observable inputs and minimise unobservable inputs. Refer to Note 11 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 31 March 2023 and comprehensive revaluations of freehold land, buildings and improvements were undertaken on 28 February 2023.

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ materially from carrying value. Generally, an interim revaluation is performed by management if the cumulative changes in indicators/indices are less than 20 per cent. An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 20 per cent. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20 per cent.

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

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

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

Recognition and measurement (cont'd)

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

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

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

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

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

The current replacement cost is used to revalue specialised buildings (designed for specific limited purposes), infrastructure systems and certain plant and equipment. Current replacement cost for these types of assets is based on "incremental optimised replacement cost". Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components.

For vessels which are specialised assets, current replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits.

Land is revalued using the market approach. The market approach 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. Sydney Ferries has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Where 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.

(iv) Impairment of property, plant and equipment

As a not -for-profit entity with no cash generating units, impairment under AASB 136 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.

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

Recognition and measurement (cont'd)

(iv) Impairment of property, plant and equipment (cont'd)

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 with prior revaluation increments in which case the impairment loss is treated as a revaluation decrease. When the impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(v) Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to Sydney Ferries. Property, plant and equipment, excluding freehold land and work in progress, are depreciated over their estimated useful lives as follows:

Asset Class	Life	Method
Freehold buildings	40 Yrs	Straight line
Plant and equipment	3 to 30 Yrs	Straight line
Ferries	22 to 48 Yrs	Straight line

(vi) Dry docking

As part of the long-term maintenance program for the fleet, all vessels undergo a major refit (dry docking) on a regular basis (at least every 5 years). The cost of these dockings are capitalised and depreciated over the period to the subsequent docking. At the time of comprehensive revaluation the value of dry docking is reflected in the value of each ferry asset.

9. Intangible assets

	2023 $'000	2022 $'000
Plant and equipment	8,777	3,558
Intangibles	5,122	3,279
Leasehold improvements	7,439	8,259
Inventory (including fuel)	9,440	10,045
Right to receive assets	**30,778**	**25,141**
Computer software	**389**	**1,348**
Work in progress	**2,305**	**838**
Total intangible assets	**33,472**	**27,327**

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.

9. Intangible assets (cont'd)

Reconciliation of carrying amounts of each class of intangible at the beginning and at the end of the reporting period are set out below:

	Right to receive assets $'000	Computer software $'000	Work in progress $'000	Total $'000
Cost (gross carrying amount)	34,106	3,414	2,305	39,825
Accumulated amortisation and impairment	(3,328)	(3,025)	-	(6,353)
Net carrying amount at 30 June 2023	**30,778**	**389**	**2,305**	**33,472**
Cost (gross carrying amount)	34,106	3,414	838	38,358
Accumulated amortisation and impairment	(8,965)	(2,066)	-	(11,031)
Net carrying amount at 30 June 2022	**25,141**	**1,348**	**838**	**27,327**

Reconciliation

	Notes	Right to receive assets $'000	Computer software $'000	Work in progress $'000	Total $'000
Net carrying amount at the beginning of the year		25,141	1,348	838	27,327
Additions		-	-	1,467	1,467
Impairment reversals	5	5,637	-	-	5,637
Amortisation	2(b)	-	(959)	-	(959)
Net carrying amount at 30 June 2023		**30,778**	**389**	**2,305**	**33,472**
Net carrying amount at the beginning of the year		23,680	2,486	225	26,391
Additions		-	-	613	613
Impairment reversals	5	1,461	-	-	1,461
Amortisation	2(b)	-	(1,138)	-	(1,138)
Net carrying amount at 30 June 2022		**25,141**	**1,348**	**838**	**27,327**

The net carrying amount of service concession assets included in intangibles is $33.5 million as at 30 June 2023 (30 June 2022: $27.3 million). This includes right to receive assets $30.8 million (30 June 2022: $25.1 million), computer software $0.4 million (30 June 2022: $1.3 million) and work in progress $2.3 million (30 June 2022: $0.8 million). Sydney Ferries' only service concession arrangement is described in Note 8(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 system contract (refer Note 8(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. 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.

9. Intangible assets (cont'd)

Recognition and measurement (cont'd)

(ii) Computer software

Computer software is specialised ferry software that facilitates receiving, storing and processing real-time ferry service and customer information. Computer software, being service concession assets (Note 9(v)), are initially recognised and subsequently measured at current replacement cost. Given the useful life and specialised nature of the computer software, the depreciated cost is broadly equivalent to current replacement cost. Computer software is amortised using the straight-line method over a period of three years.

(iii) Work in progress

Work in progress relates to new software being developed to improve ferry service performance reporting and facilitate real-time processing of ferry service information. Costs relating to intangibles that are under construction or are otherwise incomplete are shown as work in progress (Note 9) 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 8(c)).

	Right to receive assets $'000	Computer software $'000	Work in progress $'000	Total $'000
At 30 June 2023				
Net carrying amount	30,778	389	2,305	33,472
At 30 June 2022				
Net carrying amount	25,141	1,348	838	27,327

(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*.

9. Intangible assets (cont'd)

Recognition and measurement (cont'd)

(v) Service concession assets – intangibles (cont'd)

(c) At the end of the arrangement

At the end of the service concession arrangement:

- Sydney Ferries accounts for the asset in accordance with other Australian Accounting Standards, with Sydney Ferries reclassifying the asset based on its nature or function
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13
- the asset is only derecognised when Sydney Ferries loses control of the asset in accordance with AASB 138.

10. Leases

Entity as a lessee

Sydney Ferries leases property from TfNSW. The lease contract is for a fixed period 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 an investment property.

	Notes	Right of use land $'000	Total $'000
Balance at 1 July 2022		394	394
Depreciation expense	2(b)	(86)	(86)
Balance at 30 June 2023		**308**	**308**
Balance at 1 July 2021		480	480
Depreciation expense	2(b)	(86)	(86)
Balance at 30 June 2022		**394**	**394**

The net carrying amount of service concession assets included in right of use assets under leases is $0.3 million as at 30 June 2023 (30 June 2022: $0.4 million). Sydney Ferries' only service concession arrangement is described in Note 8(c).

(b) Lease liabilities

The following table presents liabilities under leases.

	Notes	2023 $'000	2022 $'000
Balance at 1 July		430	509
Interest expense	2(c)	8	9
Payments		(92)	(88)
Balance at 30 June		**346**	**430**

Sydney Ferries had total cash outflows for leases of $0.1 million in the year ended 30 June 2023 (30 June 2022: $0.1 million).

10. 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:

	Notes	2023 $'000	2022 $'000
Depreciation expense of right of use assets	2(b)	86	86
Interest expense on lease liabilities	2(c)	8	9
Total amount recognised in the Statement of comprehensive income		**94**	**95**

Recognition and measurement

Sydney Ferries assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Sydney Ferries recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

(i) Right of use assets

Sydney Ferries recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are initially measured at the amount of initial measurement of the lease liability (refer to Note 10(c)(ii)), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right of use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings: 20 years

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

10. Leases (cont'd)

Entity as a lessee (cont'd)

Recognition and measurement (cont'd)

(ii) Service concession assets – right of use assets

(a) Initial recognition

As part of the ferry system service concession arrangement, Transdev has been granted access to the property assets leased from TfNSW. For these assets in scope of AASB 1059, Sydney Ferries recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

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

(b) Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 16 *Leases* (AASB 16) and AASB 136 *Impairment of Assets*.

(c) At the end of the arrangement

At the end of the service concession arrangement:

- Sydney Ferries accounts for the asset in accordance with other Australian Accounting Standards, with the entity reclassifying the asset based on its nature or function
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 16.

(iii) Lease liabilities

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

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that Sydney Ferries 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.

10. Leases (cont'd)

Entity as a lessee (cont'd)

Recognition and measurement (cont'd)

(iii) Lease liabilities (cont'd)

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

Sydney Ferries' lease liabilities are included in borrowings (Note 13).

11. Fair value measurement of non-financial assets

(a) Fair value hierarchy

Fair value measurements recognised in the Statement of financial position are categorised into the following levels as at 30 June.

30 June 2023	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Property, plant and equipment $'000
Land and buildings	8	-	13,800	5,881	19,681
Ferries	8	-	-	75,370	75,370
Property, plant and equipment			**13,800**	**81,251**	**95,051**

30 June 2022	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Property, plant and equipment $'000
Land and buildings	8	-	-	13,219	13,219
Ferries	8	-	-	80,228	80,228
Property, plant and equipment		**-**	**-**	**93,447**	**93,447**

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).

11. 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 21 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 and ferries assets was undertaken in the current year.

(c) Valuation techniques and input

At the end of each reporting period, Sydney Ferries updates its assessment of the fair value of each category of non-financial asset, taking into account the most recent independent valuation. Sydney Ferries considers information from a variety of other sources and uses specific valuation techniques including:

- current prices in an active market for land assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences
- current replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits
- construction costs incurred by the entity
- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions.

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

The main level 2 and level 3 inputs used by the valuers for property, plant and equipment are as follows:

- Land – rate range per square metre of land area is determined by the external valuer using the comparable commercial land sales evidence, which resulted in the rate range, then adjusted for the specific attributes of the subject land, including its location adjacent to a residential precinct, difficult heavy vehicle access, proximity to the waterfront, access to harbour views, shape, topography and other factors. The mid-point of such range is used to calculate the value of the land by multiplying the land area in square meter.

- Building – replacement cost of buildings has been used to work out the value, with reference to Rawlinsons Australian Construction Handbook building cost guide. The figures then are adjusted with building cost inflation applicable. The current replacement cost with reference to the straight-line method of depreciation was then taken in account, where appropriate estimates of each building assets useful life and remaining useful life were considered.

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

Recognition and measurement (cont'd)

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

- Ferries – comprehensive revaluations utilise current replacement cost for modern equivalent vessels and a straight-line method of depreciation with consideration to the asset useful life and remaining useful life. During interim years, relevant indices are considered to determine fair value of the ferry assets.

(d) Reconciliation of recurring Level 3 fair value measurements

	Land and buildings $'000	Ferries $'000	Total $'000
Fair value as at 1 July 2022	13,219	80,228	93,447
Additions	-	1,901	1,901
Net increase in asset revaluation reserve	6,878	-	6,878
Revaluation decrement through profit and loss	-	2,961	2,961
Transfer to Level 2	(13,800)	-	(13,800)
Disposals	-	(105)	(105)
Depreciation	(416)	(9,615)	(10,031)
Fair value as at 30 June 2023	**5,881**	**75,370**	**81,251**

	Land and buildings $'000	Ferries $'000	Total $'000
Fair value as at 1 July 2021	9,068	68,303	77,371
Additions	-	7,044	7,044
Net increase in asset revaluation reserve	4,585	-	4,585
Revaluation increment through profit and loss	-	12,894	12,894
Depreciation	(434)	(8,013)	(8,447)
Fair value as at 30 June 2022	**13,219**	**80,228**	**93,447**

12. Payables

	2023 $'000	2022 $'000
Trade creditors	503	-
Accrued expenses	8,744	5,326
Other creditors	47	45
Current payables	**9,294**	**5,371**

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 21.

Recognition and measurement

Payables represent liabilities for goods and services provided to Sydney Ferries 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 in net result when the liabilities are derecognised as well as through the amortisation process.

13. Borrowings

	2023 $'000	2022 $'000
Lease liabilities	89	84
Current borrowings	**89**	**84**
Lease liabilities	257	346
Non-current borrowings	**257**	**346**

Repayment of borrowings

	2023 $'000	2022 $'000
Not later than one year	89	84
Later than one year and not later than five years	257	346
Later than five years	-	-
Repayment of borrowings	**346**	**430**

Recognition and measurement

Refer to Note 10 for recognition and measurement of lease liabilities.

14. Provisions

	2023 $'000	2022 $'000
Provision for disposal of property, plant and equipment	1,417	1,724
Current provisions	**1,417**	**1,724**
Provision for disposal of property, plant and equipment	1,245	1,100
Non-current provisions	**1,245**	**1,100**

The provision for disposal of property, plant and equipment reflects the estimated costs of disposal of six ferries (2022: four ferries). All of these vessels are expected to be disposed of or sold within twelve months or later.

Movement in provisions

	2023 $'000	2022 $'000
Carrying amount at the beginning of the year	2,824	1,537
Additional provision recognised	1,083	2,212
Unused amounts reversed	(1,245)	(625)
Amount used	-	(300)
Net carrying amount at 30 June	**2,662**	**2,824**

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.

15. Other liabilities

	2023 $'000	2022 $'000
Liability for former employees' leave entitlements	1,406	1,758
Current other liabilities	**1,406**	**1,758**

Recognition and measurement

Liability for former employees' leave entitlements

Liability for former employees' leave entitlements include amounts brought to account for the leave amounts owing to Transdev for former Sydney Ferries employees, not including superannuation for leave taken in service.

Liabilities for leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

16. 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 8.

(ii) Accumulated funds

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

17. Commitments

	2023 $'000	2022 $'000
Capital commitments		
Aggregate capital commitments for property, plant & equipment contracted for at reporting date and not provided for:		
Not later than one year	51,474	31,164
Later than one year and not later than five years	1,574	29,744
Total (including GST)	**53,048**	**60,908**

Net GST payable $4.8 million (2022: $5.5 million) to the Australian Taxation Office is included above.

18. 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 2023 and 30 June 2022.

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 2023 and 30 June 2022.

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

	2023 $'000	2022 $'000
Net cash inflows from operating activities	8,292	27,390
Depreciation and amortisation	(11,260)	(9,855)
Other non-cash items	3,253	1,530
Impairment reversals	5,493	939
Revaluation increment of assets	2,961	12,894
Net loss on sale of property, plant and equipment	(105)	-
Increase in receivables	920	19
Increase in payables and provisions	(3,761)	(1,724)
Decrease in other liabilities	352	264
Reconciliation to net result	**6,145**	**31,457**

20. Non-cash financing and investing activities

	2023 $'000	2022 $'000
Net revaluation increment on ferries assets	2,961	12,894
Impairment losses on property, plant and equipment	(144)	(522)
Impairment reversals on right to receive assets	5,637	1,461
Major periodic maintenance work by Transdev	1,161	1,280
Non-cash financing and investing activities	**9,615**	**15,113**

21. 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 statement.

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

Class	Notes	Category	Carrying amount 2023 $'000	Carrying amount 2022 $'000
Financial assets				
Cash and cash equivalents	6	N/A	55,620	62,372
Receivables[1]	7	Amortised cost	517	495
			56,137	**62,867**
Financial liabilities				
Payables[2]	12	Financial liabilities measured at amortised cost	8,517	4,870
Borrowings	13	Financial liabilities measured at amortised cost	346	430
Other liabilities	15	Financial liabilities measured at amortised cost	1,406	1,758
			10,269	**7,058**

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

Recognition and measurement

De-recognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the contractual rights to the cash flows from the financial assets expire; or if Sydney Ferries transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass through” arrangement; and either:

- substantially all the risks and rewards have been transferred
- the agency has not transferred nor retained 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.

21. 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 and cash equivalents

Cash comprises cash at bank and cash on hand within the NSW Treasury banking systems. The interest rate applied is the Reserve Bank of Australia target cash rate.

(ii) Receivables

At 30 June 2023, Sydney Ferries had $0.5 million trade debtors (2022: $0.5 million) that were neither past due nor impaired in relation to one debtor, Transdev Sydney Ferries, who leases the vessels, land and buildings from Sydney Ferries in order to fulfil its contract for ferry operations with TfNSW. As Transdev Sydney Ferries receives funding from TfNSW there is no expectation they will not be able to continue paying Sydney Ferries under the contracted payment terms.

(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.

21. Financial instruments (cont'd)

(c) Liquidity risk (cont'd)

The table below summarises the maturity profile of Sydney Ferries' financial liabilities, together with any interest rate exposure.

(i) Maturity analysis and interest rate exposure of financial liabilities

	Weighted average effective int. rate (%)	Nominal amount[1] $'000	Interest rate exposure: Fixed interest rate $'000	Interest rate exposure: Variable interest rate $'000	Interest rate exposure: Non-interest bearing $'000	Maturity dates: < 1 year $'000	Maturity dates: 1 - 5 years $'000	Maturity dates: > 5 years $'000
2023								
Payables	-	8,517	-	-	8,517	8,517	-	-
Borrowings	2.00	358	358	-	-	95	263	-
Other liabilities	-	1,406	-	-	1,406	1,406	-	-
	2.00	**10,281**	**358**	**-**	**9,923**	**10,018**	**263**	**-**
2022								
Payables	-	4,870	-	-	4,870	4,870	-	-
Borrowings	2.00	450	450	-	-	91	359	-
Other liabilities	-	1,758	-	-	1,758	1,758	-	-
	2.00	**7,078**	**450**	**-**	**6,628**	**6,719**	**359**	**-**

[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.

21. 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 2022. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Sydney Ferries exposure to interest rate risk is set out in the table below:

Sensitivity analysis

		-1%		+1%	
2023	**Carrying amount $'000**	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Financial assets					
Cash and cash equivalents	55,620	(556)	(556)	556	556
		-1%		**+1%**	
2022	**Carrying amount $'000**	**Net result $'000**	**Equity $'000**	**Net result $'000**	**Equity $'000**
Financial assets					
Cash and cash equivalents	62,372	(624)	(624)	624	624

22. 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 2023 financial year, Sydney Ferries transacted with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Payments (capital and operational expenditure) made to TfNSW
- Interest revenue earned from the Treasury Banking System
- Audit fee payments made to the Audit Office of NSW
- Grants received from TfNSW to acquire or construct non-financial assets.

23. After balance date events

No events have occurred after the balance date that would have a material impact on the financial statements.

End of audited financial statements

INDEPENDENT AUDITOR'S REPORT

Sydney Ferries

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Ferries, which comprise the Statement by the Chief Executive, the Statement of comprehensive income for the year ended 30 June 2023, the Statement of financial position as at 30 June 2023, 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).

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

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

The Chief Executive’s Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing Sydney Ferries’ ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. 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.

Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

12 October 2023
SYDNEY

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NSW GOVERNMENT