Annual Report

Roads and Maritime Services

2017–18 • Volume 2

INDEPENDENT AUDITOR'S REPORT

Roads and Maritime Services

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Roads and Maritime Services (RMS), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of RMS as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of RMS in accordance with the requirements of the:

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

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

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

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

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

Other Information

Other information comprises the information included in RMS's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive of RMS is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Chief Executive of Road and Maritime Services on the adoption of the financial statements for the year ended 30 June 2018.

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

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

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

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Chief Executive is responsible for assessing RMS's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where RMS will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

Weini Liao
Director, Financial Audit

14 September 2018
SYDNEY

Roads and Maritime Services

Annual Financial Statements

for the year ended 30 June 2018

TABLE OF CONTENTS

Pursuant to Section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, we declare that in our opinion:

1. The accompanying financial statements and notes thereto exhibit a true and fair view of Roads and Maritime Services financial position as at 30 June 2018 and financial performance for the year ended 30 June 2018

2. The statements have been prepared in accordance with the provisions of applicable Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, and the Financial Reporting Directions mandated by the Treasurer.

Further we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Ken Kanofski	Fiona Trussell
Chief Executive	Chief Financial Officer
14 September 2018	14 September 2018

Roads and Maritime Services
Statement of comprehensive income
for the year ended 30 June 2018

	Notes	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
Expenses excluding losses				
Operating expenses				
- Personnel services expenses	2(a)	413,258	534,414	435,300
- Other operating expenses	2(b)	1,003,721	828,893	710,790
- Maintenance	2(c)	424,093	477,111	474,545
Depreciation and amortisation	2(d)	1,632,294	2,050,932	1,638,951
Grants and subsidies	2(e)	683,273	431,352	440,591
Finance costs	2(f)	25,635	27,308	36,172
Total expenses excluding losses		**4,182,274**	**4,350,010**	**3,736,349**
Revenue				
Sale of goods and services	3(a)	690,683	569,156	631,347
Personnel service revenue		1,778	-	1,126
Investment revenue	3(b)	40,788	13,540	38,235
Retained taxes, fees and fines	3(c)	71,814	-	70,660
Operating grant received from Transport for NSW (TfNSW)	3(d)	1,568,356	1,509,657	1,282,828
Capital grant received from TfNSW	3(d)	4,304,181	6,393,662	4,264,278
Other grants and contributions	3(e)	1,021,716	131,134	116,557
Other income	3(f)	394,464	455,095	336,380
Total revenue		**8,093,780**	**9,072,244**	**6,741,411**
Gain/(losses) on disposal of property, plant and equipment	4	2,894	2,000	127,940
Other gains/(losses)	5	(594,960)	(226,725)	(633,613)
Net result		**3,319,440**	**4,497,509**	**2,499,389**
Other comprehensive income				
Items that will not be reclassified to net result				
Net increase/(decrease) in property, plant and equipment revaluation surplus	12	7,665,386	2,681,203	929,538
Total other comprehensive income		**7,665,386**	**2,681,203**	**929,538**
Total comprehensive income		**10,984,826**	**7,178,712**	**3,428,927**

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Statement of financial position
as at 30 June 2018

	Notes	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
ASSETS				
Current assets				
Cash and cash equivalents	8	886,839	618,551	748,652
Receivables	9	580,309	352,046	512,597
Inventories		4,762	6,341	5,676
Financial assets at fair value	10	111,565	102,439	104,857
Other financial assets (at amortised cost)	11	146,887	-	-
		1,730,362	**1,079,377**	**1,371,782**
Non-current assets classified as Held for Sale	14	1,121	25,000	275
Total current assets		**1,731,483**	**1,104,377**	**1,372,057**
Non-current assets				
Receivables	9	1,426,816	689,252	396,659
Other financial assets (at amortised cost)	11	222,992	377,662	390,532
Property plant & equipment				
- Land and buildings	12(a)	3,660,886	3,906,814	3,630,252
- Plant and equipment	12(b)	105,371	89,020	110,389
- Infrastructure systems	12(c)	88,383,377	85,229,749	78,803,046
Total property, plant and equipment		**92,149,634**	**89,225,583**	**82,543,687**
Private sector provided infrastructure	13(a)	2,075,417	2,091,184	1,834,908
Intangible assets	13(b)	153,796	133,119	169,166
Total non-current assets		**96,028,655**	**92,516,800**	**85,334,952**
Total assets		**97,760,138**	**93,621,177**	**86,707,009**
LIABILITIES				
Current liabilities				
Payables	17	1,337,375	983,314	1,238,319
Borrowings	18	60,558	60,558	53,680
Provisions	19	16,500	7,338	7,108
Other	20	292,131	207,252	243,579
Total current liabilities		**1,706,564**	**1,258,462**	**1,542,686**
Non-current liabilities				
Payables	17	9,160	7,106	15,092
Borrowings	18	244,575	244,575	305,133
Provisions	19	26,103	11,120	10,605
Other	20	634,617	641,182	652,121
Total non-current liabilities		**914,455**	**903,983**	**982,951**
Total liabilities		**2,621,019**	**2,162,445**	**2,525,637**
Net assets		**95,139,119**	**91,458,732**	**84,181,372**
EQUITY				
Accumulated funds		75,493,532	76,734,346	72,146,225
Reserves		19,645,587	14,724,386	12,035,147
Total equity		**95,139,119**	**91,458,732**	**84,181,372**

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Statement of changes in equity
for the year ended 30 June 2018

	Notes	Accumulated funds	Asset revaluation surplus	Total equity
		$ '000	$ '000	$ '000
Balance at 1 July 2017		**72,146,225**	**12,035,147**	**84,181,372**
Net result for the year		**3,319,440**	**-**	**3,319,440**
Other comprehensive income				
Net increase/(decrease) in property, plant and equipment revaluation surplus	12 & 13(a)	-	7,665,386	7,665,386
Total other comprehensive income for the year		**-**	**7,665,386**	**7,665,386**
Total comprehensive income for the year		**3,319,440**	**7,665,386**	**10,984,826**
Transfers within equity				
Asset revaluation reserve balance transferred to accumulated funds on disposal of assets		54,946	(54,946)	-
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	21	(27,079)	-	(27,079)
Balance at 30 June 2018		**75,493,532**	**19,645,587**	**95,139,119**
Balance at 1 July 2016		**69,399,065**	**11,310,315**	**80,709,380**
Net result for the year		**2,499,389**	**-**	**2,499,389**
Other comprehensive income				
Net increase/(decrease) in property, plant and equipment revaluation surplus	12	-	929,538	929,538
Total other comprehensive income for the year		**-**	**929,538**	**929,538**
Total comprehensive income for the year		**2,499,389**	**929,538**	**3,428,927**
Transfers within equity				
Asset revaluation reserve balance transferred to accumulated funds on disposal of assets		204,706	(204,706)	-
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	21	43,065	-	43,065
Balance at 30 June 2017		**72,146,225**	**12,035,147**	**84,181,372**

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Statement of cash flows
for the year ended 30 June 2018

	Notes	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000
Cash flows from operating activities				
Payments				
Personnel services and employee related		(387,476)	(517,408)	(463,527)
Grants and subsidies		(483,910)	(360,530)	(399,912)
Finance costs		(25,583)	(27,308)	(29,390)
Other		(2,122,898)	(2,419,647)	(1,865,262)
Total payments		**(3,019,867)**	**(3,324,893)**	**(2,758,091)**
Receipts				
Sale of goods and services		790,675	668,664	799,865
Retained taxes, fees and fines		71,813	-	70,660
Interest received		9,509	3,008	5,363
Other grants and contributions		1,021,717	131,134	115,689
Other		584,392	868,191	498,650
Operating grants received from TfNSW		1,568,357	1,509,657	1,282,828
Capital grants received from TfNSW		4,226,614	6,232,544	4,176,127
Total receipts		**8,273,077**	**9,413,198**	**6,949,182**
Net cash flows from operating activities	25	**5,253,210**	**6,088,305**	**4,191,091**
Cash flows from investing activities				
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		114,949	109,192	110,986
Purchases of land and buildings, plant and equipment and infrastructure systems		(5,212,584)	(6,026,915)	(4,124,251)
Other		45,000	35,000	-
Net cash flows from investing activities		**(5,052,635)**	**(5,882,723)**	**(4,013,265)**
Cash flows from financing activities				
Payment of finance lease liabilities	18	(53,680)	(54,510)	(47,117)
Net cash flows from financing activities		**(53,680)**	**(54,510)**	**(47,117)**
Net increase / (decrease) in cash		**146,895**	**151,072**	**130,709**
Opening cash and cash equivalents	8	748,652	469,970	617,943
Cash and cash equivalents transferred (out)/in as a result of administrative restructure	21	(8,708)	-	-
Reclassification of cash equivalents		-	(2,491)	-
Closing cash and cash equivalents	8	**886,839**	**618,551**	**748,652**

The Budget statement of cash flows was not reported to parliament in 2017-18 Budget Paper No.3 and instead published online at www.budget.nsw.gov.au

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

Roads and Maritime Services (RMS) is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. RMS is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive of RMS on 14 September 2018, the date when the accompanying statement under s.41C (1C) of the *Public Finance and Audit Act 1983* was signed.

(b) Basis of preparation

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

- Applicable Australian Accounting Standards (including Australian Accounting Interpretations).
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions mandated by the Treasurer.

Fair value
Property, plant and equipment, financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Non-current assets held for sale are valued at the lower of carrying amount and fair value less costs to sell.

Historical cost convention
Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Estimates
Judgements, key assumptions and estimates made by management about carrying values of assets and liabilities are disclosed in the relevant notes to the financial statements. Refer to note 1(k) for a summary of critical accounting estimates, judgements and assumptions determined when preparing the financial statements.

Rounding of amounts
Unless otherwise stated, all amounts are rounded to the nearest one thousand dollars ($'000) and are expressed in Australian dollars.

(c) Statement of compliance

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

(d) 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 RMS as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense.
- Receivables, payables, accruals and commitments 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 ATO are classified as operating cash flows.

1. Summary of significant accounting policies (Continued)

(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 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have been applied for the first time in 2017-18. The impact of these Standards in the period of initial application is set out below:

Standard	Summary of key requirements of new/revised standard	Impact on Reporting Entity's 2017-18 financial statements
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	The amendments to AASB 107 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	An additional disclosure has been included in Note 18 to detail the change in liabilities arising from financing activities under the amended AASB 107. The disclosure is limited to RMS' finance lease liability.
AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*	This Standard amends the mandatory effective date (application date) of AASB 15 for not-for-profit entities so that AASB 15 is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018.	The impact of this standard, as mandated by NSW Treasury is to defer the application date of AASB 15 for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019. Accordingly, RMS will apply AASB 15 from 1 July 2019.

(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 Australian Accounting Standards have not been applied, and are not yet effective and the entity's assessment of the impact of these new standards in the period of initial application is set out below:

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Expected Impact on Reporting Entity's financial statements on initial application
AASB 9 *Financial Instruments*	AASB 9 introduces new requirements for the classification, measurement and de-recognition	1 January 2018	On initial application of AASB 9, all existing financial

1. Summary of significant accounting policies (Continued)

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Expected Impact on Reporting Entity's financial statements on initial application
	of financial assets and financial liabilities. AASB 9 replaces the existing four key category approach to measurement after initial recognition to two categories – either amortised cost or fair value.		instruments will need to be classified according to the AASB 9 criteria and transitional requirements. RMS does not have many complex financial instruments. Therefore, the impact on RMS' accounting for financial assets and liabilities is not expected to be significant.
AASB 15, AASB 2014-5, AASB 2015-8, 2016-3 and AASB 2016-8 regarding Revenue from Contracts with Customers	The purpose of AASB15 was to improve the revenue recognition requirements, remove inconsistencies and weaknesses in existing standards, and improve comparability and disclosure of useful information to readers of financial statements. AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations establishing a new revenue recognition model, changing the basis for deciding whether revenue is to be recognised over time or at a point in time; providing new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing) and expanding and improving disclosures about revenue. In the Australian context, AASB 15 will apply to contracts of not-for-profit (NFP) entities that are exchange transactions. AASB 1004 Contributions will continue to apply to non-exchange transactions until the Income from Transactions of NFP Entities Project is completed. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including interpretations) arising from the issuance of AASB 15.	1 January 2019	RMS currently recognises revenue arising from customer contracts as follows: – Sale of goods - when RMS transfers the significant risks and rewards of ownership of the assets. – User charges - when RMS obtains control of the assets that result from them. – Rendering of services - when the service is provided or by reference to the stage of completion. The initial application of this standard is not expected to result in significant changes to the RMS revenue recognition and additional note disclosure in the RMS financial statements.
AASB 16 *Leases*	AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more	1 January 2019	Measurement of lease liability under AASB 16 largely corresponds to the

1. Summary of significant accounting policies (Continued)

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Expected Impact on Reporting Entity's financial statements on initial application
	than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.		measurement of a finance lease liability under the current AASB 117. Under that standard RMS recognises an asset and liability relating to the Sydney Harbour Tunnel finance lease. AASB 16 will have no impact on this accounting treatment. RMS currently accounts for the use of fleet and property rental as operating leases in accordance with AASB 117. The initial application of AASB 16 will result in RMS bringing into account the right-to- use asset and liability to represent the lease payment obligation for its operating leases. The quantitative impact of the standard is not yet known.
AASB 1058 *Income of Not-for-Profit Entities*	AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities. Particularly when a NFP entity: - receives volunteer services, or - acquires an asset where the consideration is significantly less than the fair value of the asset, principally to enable the entity to further its objectives. Local governments, government departments, general government sectors (GGSs) and whole of governments are required to recognise volunteer services if they would have been purchased and the fair value of those services can be measured reliably. Upon initial recognition of an asset, this Standard requires the entity to consider whether any other financial statement elements (called 'related amounts') should be recognised, such	1 January 2019	RMS currently recognises grants and contributions received from NSW government agencies and other bodies as income when RMS obtains control over the assets comprising the grants. Control over grants is normally obtained upon the receipt of cash or when the right to receive the cash/asset arises. RMS also accounts for any assets vested between NSW government agencies as equity transfers. The quantitative impact of the standard is not yet known.

1. Summary of significant accounting policies (Continued)

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Expected Impact on Reporting Entity's financial statements on initial application
	as: (a) contributions by owners; (b) revenue, or a contract liability arising from a contract with a customer; (c) a lease liability; (d) a financial instrument; or (e) a provision. These related amounts are accounted for in accordance with the applicable Australian Accounting Standard.		
AASB 1059 *Service Concession Arrangements: Grantors*	AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It applies to arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. An arrangement within the scope of this Standard typically involves an operator constructing the assets used to provide the public service or upgrading the assets (for example, by increasing their capacity) and operating and maintaining the assets for a specified period of time. Such arrangements are often described as build-operate-transfer or rehabilitate-operate-transfer service concession arrangements or public-private partnerships (PPPs). The Standard requires the grantor to: (a) recognise a service concession asset constructed, developed or acquired from a third party by the operator, (b) reclassify an existing asset as a service concession asset when it meets the criteria for recognition as a service concession asset; (c) initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 and subsequently measure it in accordance with	1 January 2019	Currently, under TPP 06-8 Accounting for Privately Financed Projects, RMS records an increase in an emerging asset and revenue until the end of the concession period at which point the assets revert back to RMS. From 1 July 2019, under AASB 1059, RMS is required to record the value of the assets at current replacement cost during the period of construction along with a corresponding liability to the operator. Depreciation for the assets will also be recognised in RMS' operating statement. The value of impact to RMS' financial statements is being determined prior to application of this standard.

1. Summary of significant accounting policies (Continued)

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Expected Impact on Reporting Entity's financial statements on initial application
	AASB 116 or AASB 138; (d) recognise a corresponding liability measured initially at the fair value		

(g) Personnel services income

Personnel Services Income represents the provision of RMS staff to TfNSW to undertake work on behalf of Transport Shared Services.

(h) Inventories held-for-distribution

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 initially measured 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. Cost is calculated using either the weighted average cost or "first in first out" method.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the agency 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.

(i) Equity and reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the agency's policy on the revaluation of property, plant and equipment as discussed in Note 12 and 13(a).

(ii) Accumulated Funds

The category of 'Accumulated Funds' includes all current and prior period retained funds.

(j) Changes in accounting estimates

RMS has incorporated asset condition assessment in the 2018 valuation of road and bridge assets to determine their fair value which has also extended the remaining useful lives of the asset components. The external valuer engaged for the comprehensive revaluation has considered obsolescence in its valuation approach and has incorporated asset conditions in the revised valuation methodology for assets where condition data is available. The main drivers of this result are the incorporation of the asset condition to determine the fair value, and certain methodology refinements from the previous valuation methodology. In addition, the method for calculating depreciation has also changed from an age based straight line method to an condition based straight line method.

1. Summary of significant accounting policies (Continued)

The change in the useful life assumptions is recognised as change in estimates and recognised prospectively in accordance with AASB108: Accounting policies, Changes in Accounting Estimates and Errors.

Management's estimate is that this has resulted in a decrease of roads and bridges depreciation expense of approximately $46 million for the year ended 30 June 2018 and expected depreciation in 2018-19 by approximately $235 million.

(k) 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 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.

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

Property, plant and equipment & Intangible assets	Note 12 and note 13(b)
Private sector provided infrastructure	Note 13(a)
Non-current assets held for sale	Note 14
Provisions	Note 19

2. Expenses excluding losses

(a) Personnel services expenses

	2018 $'000	2017 $'000
Personnel services expenses comprise the following specific items:		
Salaries and wages (including annual leave)	326,344	350,832
Superannuation - defined benefit plans	8,179	7,180
Superannuation - defined contribution plans	28,029	27,541
Long service leave	9,268	4,633
Payroll tax and fringe benefits tax	23,703	22,984
Redundancy payments	14,718	14,464
Workers' compensation insurance	3,017	7,666
Personnel services expenses	**413,258**	**435,300**
Allocations of personnel service costs to programs:		
- Capitalised to infrastructure	296,258	250,808
- Operating programs (including maintenance costs)	413,258	435,300
	709,516	**686,108**

Note 12 details the nature of personnel services capitalised.

Included in the above are personnel services expenses of $94.0 million (2017: $127.4 million) related to maintenance.

2. Expenses excluding losses (continued)

(b) Other operating expenses

	2018 $'000	2017 $'000
Auditor's remuneration - audit of financial statements	784	765
Advertising	3,271	5,026
Contract payments	144,030	84,027
Data processing	56,853	60,275
Contingent rent	1,036	2,422
Fleet hire and lease charges	31,190	18,360
Lease and property expenses	26,516	23,891
M5 Cashback refund	114,208	108,848
Office expenses	41,710	33,243
Payments to councils and external bodies	29,421	20,639
Special number plates concession fees	27,045	26,079
Sydney Harbour Tunnel operating fees	32,882	31,924
Travel, insurance and legal expenses	37,658	35,608
Consultants	2,237	1,621
Professional fees	141,309	145,176
Other	28,934	39,237
Share services charges	284,637	73,649
Other operating expenses	**1,003,721**	**710,790**

Recognition and Measurement

Share services charges
Shared services charges represent services provided by Service NSW and TfNSW Shared Services to RMS. The charges are recognised as incurred.

Insurance
RMS' insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for government agencies. The expense (premium) is determined by the Fund Manager based on past claims experience. Compulsory third party insurance is with a private sector provider arranged by NSW Treasury.

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

Fleet hire and lease charges (Operating leases)
An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Professional fees (includes labour hire contractors)
Labour hire contractors employed through a labour hire agency are not classified as employees. There is no contractual relationship between the government entity and the individual in the arrangement. Consistent with TPP 18-01 Accounting Policy: Financial Reporting Code for NSW General Government Sector Entities, such arrangements are classified as Other operating expenses. As a result, RMS has reclassified $28.9 million (2017: $31.6 million) in the current year from 'skilled hire contractors' in note 2(a) to 'professional fees' in note 2(b).

2. Expenses excluding losses (continued)

(c) Maintenance

	Notes	2018 $'000	2017 $'000
Maintenance expense in Statement of comprehensive income		424,093	474,545
Maintenance related to personnel services expenses		93,951	127,363
Total maintenance expense including personnel services related		**518,044**	**601,908**
Maintenance grants to councils		312,927	290,807
Capitalised maintenance		745,351	601,945
Total maintenance program		**1,576,322**	**1,494,660**

Recognition and Measurement

Major reconstruction costs for road segments on State roads are capitalised and as such not charged against maintenance expenditure. RMS capitalised $745.4 million (2017: $601.9 million) of such works during the year.

2. Expenses excluding losses (continued)

(d) Depreciation and amortisation

	Notes	2018 $'000	2017 $'000
Depreciation of operational and property assets		35,511	34,933
Depreciation of infrastructure assets		1,559,423	1,569,172
Depreciation of property, plant and equipment	12	**1,594,934**	**1,604,105**
Amortisation of intangible assets	13(b)	37,360	34,846
Depreciation and amortisation		**1,632,294**	**1,638,951**

Refer to Note 12, 13(b) and 15(b) for recognition and measurement policies on depreciation and amortisation.

(e) Grants and subsidies

	Notes	2018 $'000	2017 $'000
Grants to councils		418,127	346,399
Roads and bridges transferred to councils	12(c)	199,364	40,678
Other grants and subsidies		23,082	10,814
Contribution to National Heavy Vehicle Regulator		42,700	42,700
Grants and subsidies		**683,273**	**440,591**

Recognition and Measurement
Grants and subsidies generally comprise contributions in cash or kind to 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.

Of the $418.1 million (2017: $346.4 million) in Grants to Councils, RMS expensed $91.5 million in the year ended 30 June 2018 (2017: $78.1 million) on natural disaster restoration works from State funds, and $249.7 million in the year ended 30 June 2018 (2017: $298.8 million) on block grants and other maintenance grants to councils for regional and local roads.

(f) Finance costs

	2018 $'000	2017 $'000
Finance lease interest charges	25,452	29,168
M2 promissory notes	-	6,719
Other	183	285
Finance costs	**25,635**	**36,172**

Recognition and Measurement
Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW general government sector agencies. They include interest expenses calculated using the effective interest method as described in AASB 139 *Financial Instruments: Recognition and Measurements* and the unwinding of discount rate that is applied to provisions.

3. Revenue

Recognition and Measurement

Income is measured at the fair value of the consideration or contribution received or receivable. Comments regarding the accounting policies for the recognition of income are discussed below.

(a) Sale of goods and services

	2018 $'000	2017 $'000
Sale of goods		
Number plates	148,628	140,445
Publications	9,115	9,499
Rendering of services		
Advertising	17,357	16,281
Boat licenses	27,682	24,178
Boat registrations	24,934	26,541
Channel fees	8,986	8,580
Fees for services	116,705	119,986
Heavy vehicle permit fees	812	711
Miscellaneous services	12,854	18,669
Moorings	8,837	9,961
General maritime revenue	2,700	2,950
Rental income	59,313	55,350
Third party insurance data access charges	5,183	3,638
Toll and tag revenue	165,585	152,703
Works and services	81,992	41,855
Sale of goods and services	**690,683**	**631,347**

Recognition and Measurement

Sale of goods

Revenue from the sale of goods is recognised when RMS transfers the significant risks and rewards of ownership of the assets. User charges are recognised as revenue when RMS obtains control of the assets that result from them.

Rendering of services

Revenue from the rendering of services is recognised when the service is provided or by reference to the stage of completion.

3. Revenue (continued)

(b) Investment revenue

	2018 $'000	2017 $'000
Interest	18,548	15,575
Amortisation of zero interest Sydney Harbour Tunnel loan	10,532	9,862
TCorp Investment Facilities Designated at Fair Value Through Profit and Loss	6,708	7,339
M2 and Eastern Distributor promissory notes	5,000	5,459
Investment revenue	**40,788**	**38,235**

Recognition and Measurement

Interest revenue is recognised using the effective interest method. The effective interest rate method is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(c) Retained taxes, fees and fines

	2018 $'000	2017 $'000
Sanction fees payable under the Fines Act	15,312	14,160
National Heavy Vehicle Regulator charges	56,502	56,500
Retained taxes, fees and fines	**71,814**	**70,660**

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

3. Revenue (continued)

(d) Grants from Transport for NSW (TfNSW)

	2018 $'000	2017 $'000
Operating grant		
Grant to fund general operations including maintenance	1,568,356	1,282,828
Capital grant		
Grants to fund investment in infrastructure network development*	4,304,181	4,264,278
Grants from Transport for NSW (TfNSW)	**5,872,537**	**5,547,106**

Recognition and Measurement

RMS receives capital and operating grants from TfNSW instead of receiving budget appropriations directly from NSW Treasury. RMS also receives grants and contributions from other NSW government agencies and other bodies as per note 3(e). These grants are generally recognised as income when RMS obtains control over the assets comprising the grants. Control over grants is normally obtained upon the receipt of cash or when the right to receive the cash arises.

Of the $4,304.2 million capital grant above, $2,014.9 million relates to federal funding (2017: $1,608.6 million of $4,264.3 million). The equivalent figure for the federal recurrent grant is $198.9 million (2017: $168.3 million). Federal funding is appropriated to TfNSW through NSW Treasury.

(e) Other grants and contributions

	2018 $'000	2017 $'000
NSW Government agencies		
- TfNSW*	894,800	8,066
- Other	116,524	87,215
Local government	2,026	2,229
Other government agencies	-	10,011
Private firms and individuals	8,366	9,036
Other grants and contributions	**1,021,716**	**116,557**

Recognition and Measurement

Contributions received during the year ended 30 June 2018 were recognised as revenue during the period. Contributions are recognised at their fair value.

*RMS has reclassified Restart NSW capital grants received in the year ended 30 June 2018 of $889.7 million from Capital grants received from TfNSW in note 3(d) to Other grants and contributions from TfNSW in note 3(e), whilst the amount received in the year ended 30 June 2017 of $603.1 million remains disclosed in note 3(d). This reclassification is due to a directive from NSW Treasury and is effective prospectively from 1 July 2017.

3. Revenue (continued)

(f) Other income

	Notes	2018 $'000	2017 $'000
Value of emerging interest of Private Sector Provided Infrastructure (PSPI)			
- M2 Motorway/M2 Widening	13(a)	40,318	38,285
- M4 Motorway Service Centre	13(a)	1,010	1,603
- M4 Motorway/M4 Widening	13(a)	7,060	-
- M5 South-West Motorway	13(a)	44,434	41,839
- Eastern Distributor	13(a)	22,269	20,898
- Cross City Tunnel	13(a)	30,832	29,230
- Westlink M7 Motorway	13(a)	66,705	63,162
- Lane Cove Tunnel	13(a)	40,709	38,395
Amortisation of deferred revenue on PSPI projects		19,030	19,030
Fuel tax credits		-	515
Principal arranged insurance refund		25,407	1,530
Property revenue		1,294	2,822
Recognition of infrastructure assets	12(c)	49,345	34,014
Other boating fees		1,525	1,698
Resources received free of charge	26	27,036	22,980
Other (including professional services revenue)		17,490	20,379
Other income		**394,464**	**336,380**

Recognition and Measurement

Emerging interests in private sector provided infrastructure (PSPI) projects
The value of the emerging right to receive a PSPI asset is treated as the compound value of an annuity that accumulates as a series of receipts together with a calculated notional compound interest. The discount rate used is the NSW Treasury Corporation 10-year government bond rate at the commencement of the concession period. The revenue recognition is on a progressive basis relative to the concession period.

Amortisation of deferred revenue on PSPI Projects
Reimbursement of development costs in the form of upfront cash payments are treated as deferred revenue with an annual amortisation amount recognised on a straight-line basis over the life of the concession period.

Resources received free of charge
Resources received free of charge is recognised for personnel services assumed by the Crown including long service leave and defined benefit superannuation.

4. Gain/(loss) on disposal

	Notes	2018 $'000	2017 $'000
Net gain/(loss) on sale of property, plant and equipment			
Proceeds from sale		3,079	1,027
Carrying amount of assets sold	12	(2,825)	(7,760)
Net gain/(loss) on sale of property, plant and equipment		**254**	**(6,733)**
Net gain/(loss) on disposal of intangible assets			
Carrying amount of assets disposed	13(b)	(437)	(271)
Net gain/(loss) on disposal of intangible assets		**(437)**	**(271)**
Net gain / (loss) on sale of property, plant and equipment and Intangibles		**(183)**	**(7,004)**
Net gain/(loss) on sale of non-current assets held for sale			
Proceeds from sales		23,767	361,541
Carrying amount of assets sold	14	(20,690)	(226,597)
Net gain/(loss) on sale of non-current assets held for sale		**3,077**	**134,944**
Net gain/(loss) on disposal		**2,894**	**127,940**

5. Other gains/(losses)

	Notes	2018 $'000	2017 $'000
Allowance for impairment of receivables	9	(6,769)	(3,552)
Carrying amount of Infrastructure assets written off	6	(198,593)	(262,709)
Net revaluation increment/(decrement) recognised in net result	6	(389,598)	(367,352)
Other gains/(losses)		**(594,960)**	**(633,613)**

Recognition and Measurement

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

In regards to infrastructure assets written off, in cases where RMS 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 12(c)).

6. Write-off/down of land & buildings and infrastructure assets

	Notes	2018 $'000	2017 $'000
Carrying amount of Infrastructure assets written off	5 and 12(c)	**198,593**	**262,709**

The following infrastructure assets were written off in the periods ended 30 June 2018 and 30 June 2017:

	Replacement costs $'000 2018 $'000	Accumulated depreciation $'000 2018 $'000	Carrying value $'000 2018 $'000	Replacement costs $'000 2017 $'000	Accumulated depreciation $'000 2017 $'000	Carrying value $'000 2017 $'000
Roads	159,203	(62,640)	96,563	322,721	(203,942)	118,779
Bridges	31,795	(18,348)	13,447	9,941	(5,232)	4,709
Maritime assets	2,373	(1,105)	1,268	3,410	(2,293)	1,117
Work in progress	82,613	-	82,613	134,654	-	134,654
Traffic signals network	901	(689)	212	205	(129)	76
Traffic controls network	14,928	(10,438)	4,490	16,105	(12,731)	3,374
Infrastructure assets written off	**291,813**	**(93,220)**	**198,593**	**487,036**	**(224,327)**	**262,709**

	Notes	2018 $'000	2017 $'000
Net revaluation increment/(decrement) recognised in net result	5	**(389,598)**	**(367,352)**

The following land & buildings and infrastructure assets were written down and/ or written back through the net result in the year ended 30 June 2018:

	Notes	Carrying value 2018 $'000	Carrying value 2017 $'000
Traffic signals network		1,470	733
Infrastructure systems	12(c)	**1,470**	**733**
Land and buildings acquired for future roadworks		(391,068)	(368,085)
Land & buildings	12(a)	**(391,068)**	**(368,085)**
Land & buildings and infrastructure assets (written down)/written back		**(389,598)**	**(367,352)**

7. Program Group Statements for the year ended 30 June 2018

Roads and Maritime Services expenses and income

	Asset Maintenance		Services & Operations		Growth & Improvement		Not attributable		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expenses excluding losses										
Operating expenses										
- Personnel services expenses	92,702	126,540	294,996	286,298	25,560	22,462	-	-	413,258	435,300
- Other operating expenses	53,365	80,842	876,167	590,055	74,189	39,893	-	-	1,003,721	710,790
- Maintenance	326,373	403,882	97,041	70,226	679	437	-	-	424,093	474,545
Depreciation and amortisation	-	-	1,632,294	1,638,951	-	-	-	-	1,632,294	1,638,951
Grants and subsidies	312,894	236,017	303,380	110,198	66,999	94,376	-	-	683,273	440,591
Finance costs	-	-	25,635	36,172	-	-	-	-	25,635	36,172
Total expenses excluding losses	**785,334**	**847,281**	**3,229,513**	**2,731,900**	**167,427**	**157,168**	**-**	**-**	**4,182,274**	**3,736,349**
Revenue										
Sale of goods and services	26,033	21,487	655,864	593,037	8,786	16,823	-	-	690,683	631,347
Personnel service revenue	-	-	1,778	1,126	-	-	-	-	1,778	1,126
Investment revenue	-	-	40,788	38,235	-	-	-	-	40,788	38,235
Retained taxes, fees and fines	56,501	56,500	15,313	14,160	-	-	-	-	71,814	70,660
Operating grant received from Transport for NSW (TfNSW)	484,566	503,831	980,485	685,537	103,305	93,460	-	-	1,568,356	1,282,828
Capital grant received from TfNSW	638,650	583,993	119,752	126,437	3,545,779	3,553,848	-	-	4,304,181	4,264,278
Other grants and contributions	150,733	27,616	34,112	82,763	836,871	6,178	-	-	1,021,716	116,557
Other revenue	11,389	13,487	379,741	316,378	3,334	6,515	-	-	394,464	336,380
Total revenue	**1,367,872**	**1,206,914**	**2,227,833**	**1,857,673**	**4,498,075**	**3,676,824**	**-**	**-**	**8,093,780**	**6,741,411**
Gain/(loss) on disposal of property, plant and equipment	-	-	2,894	102,560	-	25,380	-	-	2,894	127,940
Other gains/(losses)	-	-	(594,960)	(633,613)	-	-	-	-	(594,960)	(633,613)
Net result	**582,538**	**359,633**	**(1,593,746)**	**(1,405,280)**	**4,330,648**	**3,545,036**	**-**	**-**	**3,319,440**	**2,499,389**
Other comprehensive income										
Net increase/(decrease) in asset revaluation reserve	-	-	7,665,386	929,538	-	-	-	-	7,665,386	929,538
Total other comprehensive income for the year	**-**	**-**	**7,665,386**	**929,538**	**-**	**-**	**-**	**-**	**7,665,386**	**929,538**
Total comprehensive income	**582,538**	**359,633**	**6,071,640**	**(475,742)**	**4,330,648**	**3,545,036**	**-**	**-**	**10,984,826**	**3,428,927**

7. Program Group Statements for the year ended 30 June 2018 (continued)

Administered expenses and income

	Asset Maintenance		Services & Operations		Growth & Improvement		Not attributable		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Administered expenses										
Other	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-	-	-
Administered expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Administered income										
Transfer receipts	-	-	-	-	-	-	3,668,529	3,564,978	3,710,207	3,564,978
Administered income	**-**	**-**	**-**	**-**	**-**	**-**	**3,668,529**	**3,564,978**	**3,710,207**	**3,564,978**
Administered income less expenses	**-**	**-**	**-**	**-**	**-**	**-**	**3,668,529**	**3,564,978**	**3,710,207**	**3,564,978**

Administered assets and liabilities are disclosed in Note 28.

7. Program Group Statements for the year ended 30 June 2018 (continued)

Roads and Maritime Services assets and liabilities

	Asset Maintenance		Services & Operations		Growth & Improvement		Not attributable		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS										
Current assets										
Cash and cash equivalents	-	-	886,839	748,652	-	-	-	-	886,839	748,652
Receivables	21,873	17,446	551,054	481,492	7,382	13,659	-	-	580,309	512,597
Inventories	-	-	4,762	5,676	-	-	-	-	4,762	5,676
Financial assets at fair value	-	-	111,565	104,857	-	-	-	-	111,565	104,857
Other financial assets	-	-	146,887	-	-	-	-	-	146,887	-
Non-current assets classified as held for sale	-	-	1,121	275	-	-	-	-	1,121	275
Total current assets	**21,873**	**17,446**	**1,702,228**	**1,340,952**	**7,382**	**13,659**	**-**	**-**	**1,731,483**	**1,372,057**
Non-current assets										
Receivables	-	-	104,587	158,558	1,322,229	238,101	-	-	1,426,816	396,659
Other financial assets	-	-	222,992	390,532	-	-	-	-	222,992	390,532
Property, plant and equipment										
- Land and buildings	-	-	3,660,886	3,630,252	-	-	-	-	3,660,886	3,630,252
- Plant and equipment	-	-	105,371	110,389	-	-	-	-	105,371	110,389
- Infrastructure system	-	-	81,222,312	73,065,567	7,161,065	5,737,479	-	-	88,383,377	78,803,046
Property, plant and equipment	**-**	**-**	**84,988,569**	**76,806,208**	**7,161,065**	**5,737,479**	**-**	**-**	**92,149,634**	**82,543,687**
Private sector provided infrastructure	-	-	2,075,417	1,834,908	-	-	-	-	2,075,417	1,834,908
Intangible assets	-	-	153,796	169,166	-	-	-	-	153,796	169,166
Total non-current assets	**-**	**-**	**87,545,361**	**79,359,372**	**8,483,294**	**5,975,580**	**-**	**-**	**96,028,655**	**85,334,952**
Total assets	**21,873**	**17,446**	**89,247,589**	**80,700,324**	**8,490,676**	**5,989,239**	**-**	**-**	**97,760,138**	**86,707,009**
LIABILITIES										
Current liabilities										
Payables	137,861	224,070	1,105,369	946,876	94,145	67,373	-	-	1,337,375	1,238,319
Borrowings	-	-	60,558	53,680	-	-	-	-	60,558	53,680
Provisions	876	2,066	14,404	4,675	1,220	367	-	-	16,500	7,108
Other	15,532	27,704	255,008	202,204	21,591	13,671	-	-	292,131	243,579
Total current liabilities	**154,269**	**253,840**	**1,435,339**	**1,207,435**	**116,956**	**81,411**	**-**	**-**	**1,706,564**	**1,542,686**
Non-current liabilities										
Payables	944	2,731	7,571	11,540	645	821	-	-	9,160	15,092
Borrowings	-	-	244,575	305,133	-	-	-	-	244,575	305,133
Provisions	1,388	3,083	22,786	6,975	1,929	547	-	-	26,103	10,605
Other	33,741	74,169	553,969	541,352	46,907	36,600	-	-	634,617	652,121
Total non-current liabilities	**36,073**	**79,983**	**828,901**	**865,000**	**49,481**	**37,968**	**-**	**-**	**914,455**	**982,951**
Total liabilities	**190,342**	**333,823**	**2,264,240**	**2,072,435**	**166,437**	**119,379**	**-**	**-**	**2,621,019**	**2,525,637**
Net assets	**(168,469)**	**(316,377)**	**86,983,349**	**78,627,889**	**8,324,239**	**5,869,860**	**-**	**-**	**95,139,119**	**84,181,372**

7. Program Group Statements for the year ended 30 June 2018 (continued)

Program Group Descriptions

(a) Roads, maritime and freight asset maintenance

This program group includes maintenance of road and maritime infrastructure and assets.

The primary outcomes of this program group are to ensure the State's road and maritime assets:

• meet required safety, performance and operational standards in the delivery of customer services and access for regional communities

• enable safe, efficient and reliable services for passengers and freight customers.

(b) Roads, maritime and freight services and operations

The primary purpose of this program group is to enable the safe, efficient and reliable movement of people and goods by various transport modes across the State's road and maritime networks.

Activities in this program group include:

• delivering solutions to maximise the efficiency of the existing road, freight rail and waterway networks

• providing support to ensure motorists, vehicles and vessels are safe and compliant

• implementing road, maritime and freight policies and regulation

• delivering ongoing network operations to allow for the efficient movement of people and goods

• managing incident response, and traffic and waterways for major projects

• planning required for journey management and asset maintenance activities

(c) Roads, maritime and freight growth and improvement

This program group includes developing and delivering new or upgraded road and maritime infrastructure to optimise the safety, efficiency and effectiveness of the road and maritime networks.

Activities in this program group include:

• delivering new road, maritime and freight infrastructure

• delivering enhancements to road, maritime and freight infrastructure

• replacing or rebuilding road, maritime and freight infrastructure

8. Cash and cash equivalents

Cash and cash equivalents recognised in the Statement of Financial Position comprise cash on hand, cash at bank and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value and includes other at-call deposits that are not quoted in an active market. These are considered to have an insignificant risk of changes in value.

In accordance with AASB139 Financial Instruments: Recognition and Measurement, cash and cash equivalents are measured at fair value with interest revenue accrued as earned such that fair value is reflected at no less than the amount payable on demand.

	2018 $'000	2017 $'000
RMS operating account**	777,181	614,087
Remitting account, cash in transit and cash on hand*	5,728	27,158
On call deposits**	56,427	55,185
Other**	47,503	52,222
Cash and cash equivalents	**886,839**	**748,652**

*The remitting account balance above does not include cash of $38.0 million (2017: $33.7 million) relating to administered revenue held by RMS as at 30 June 2018 (refer to Note 28).
** The cash account balances include restricted cash (refer to Note 16).

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

	2018 $'000	2017 $'000
Cash and cash equivalents (per statement of financial position)	886,839	748,652
Closing cash and cash equivalents (per statement of cash flows)	**886,839**	**748,652**

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and on call deposits.

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in note 30.

9. Receivables

	Notes	2018 $'000	2017 $'000
(i) Current receivables			
Sale of goods and services		40,196	32,919
Other receivables		122,123	105,239
Less: Allowance for impairment*		(9,944)	(10,010)
Receivables		**152,375**	**128,148**
Goods and services tax receivable		146,046	121,908
Goods and Services Tax		**146,046**	**121,908**
Prepayments		157,715	132,568
Property and other debtors		16,716	20,864
Prepayments Motorways		11,427	-
Other		**185,858**	**153,432**
Accrued interest		451	2,578
Property sales		86,699	93,024
Accrued other income		8,880	13,507
Accrued Income		**96,030**	**109,109**
Current receivables		**580,309**	**512,597**
Movement in the allowance for impairment:			
Balance at 1 July		10,010	6,442
Increase in allowance recognised in Statement of Comprehensive Income	5	6,769	3,552
Amounts written (off)/back during the period		(6,835)	16
Balance at 30 June		**9,944**	**10,010**
(ii) Non-current receivables			
Prepayments Motorways^		1,322,229	238,101
Property Sales		81,068	158,558
Prepayments		23,519	-
Non-current receivables		**1,426,816**	**396,659**

*The allowance for impairment primarily relates to amounts owing as a result of commercial transactions (e.g. debts raised for performance of services or sale of goods) and tenants who vacate rental premises without notice whilst in arrears.
^Prepayment Motorways represents RMS' contribution in cash and in kind for various Private Sector Provided Infrastructure projects.

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in note 30.

Recognition and Measurement

Receivables including trade receivables, prepayments, etc, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

9. Receivables (continued)

Impairment

Receivables are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due. Further details on the process for determining the impairment provision on trade debtors is provided at Note 30(d)(ii). The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

10. Financial assets at fair value

	2018 $'000	2017 $'000
TCorp Hour-Glass Investment Facilities - long-term growth facility	35,002	31,920
TCorp Hour-Glass Investment Facilities - medium-term growth facility	76,563	72,937
Financial assets at fair value through profit or loss	**111,565**	**104,857**

Recognition and Measurement

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit and loss. Financial assets at fair value through profit and loss are initially and subsequently measured at fair value. Gains or losses on these assets are recognised in the net result for the year. Financial assets are classified as “held for trading” if they are acquired for the purpose of selling in the near term.

The NSW Treasury Corporation (TCorp) Hour-Glass Investment Facilities are designated at fair value through profit and loss as these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the key management personnel.

The movement in the fair value of the NSW TCorp Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item ‘investment revenue’ at note 3(b).

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in note 30.

11. Other financial assets

	Notes	2018 $'000	2017 $'000
(i) Current other financial assets			
Lane Cove Tunnel concession payment recoverable	13(a)	146,887	-
Current other financial assets		**146,887**	**-**
(ii) Non-current other financial assets			
Loan to Sydney Harbour Tunnel Company		165,519	154,987
Lane Cove Tunnel concession payments recoverable	13(a)	-	183,072
M2 and Eastern distributor operators Promissory notes	13(a)	57,473	52,473
Non-current other financial assets		**222,992**	**390,532**

Recognition and Measurement

Loans, promissory notes 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 recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment where applicable. Changes are recognised in the Statement of Comprehensive Income in the year impaired, derecognised or through the amortisation process.

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in note 30.

Impairment

An allowance for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows have been affected.

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

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.

Any reversals of impairment losses are reversed through the net result for the year, where the decrease in impairment losses can be related objectively to an event occurring after the impairment was recognised. Reversals of impairment losses 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. Property, plant and equipment

	Land and buildings $ '000	Plant and equipment $ '000	Infrastructure systems $ '000	TOTAL $ '000
As at 1 July 2017 - fair value				
Gross carrying amount	3,757,777	256,352	114,805,197	118,819,326
Accumulated depreciation and impairment	(127,525)	(145,963)	(36,002,151)	(36,275,639)
Net carrying amount	**3,630,252**	**110,389**	**78,803,046**	**82,543,687**
As at 30 June 2018 - fair value				
Gross carrying amount	3,806,139	250,483	115,297,957	119,354,579
Accumulated depreciation and impairment	(145,253)	(145,112)	(26,914,580)	(27,204,945)
Net carrying amount	**3,660,886**	**105,371**	**88,383,377**	**92,149,634**

As at 1 July 2016 - fair value				
Gross carrying amount	3,568,643	269,061	110,787,021	114,624,725
Accumulated depreciation and impairment	(104,747)	(159,770)	(34,826,268)	(35,090,785)
Net carrying amount	**3,463,896**	**109,291**	**75,960,753**	**79,533,940**
At 30 June 2017 - fair value				
Gross carrying amount	3,757,777	256,352	114,805,197	118,819,326
Accumulated depreciation and impairment	(127,525)	(145,963)	(36,002,151)	(36,275,639)
Net carrying amount	**3,630,252**	**110,389**	**78,803,046**	**82,543,687**

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:

Year ended 30 June 2018
Reconciliation

	Notes	Land and buildings $ '000	Plant and equipment $ '000	Infrastructure systems $ '000	TOTAL $ '000
Net carrying amount at start of year		3,630,252	110,389	78,803,046	82,543,687
Additions		525,374	14,761	4,264,486	4,804,621
Assets recognised for the first time	3(f)	-	-	49,345	49,345
Net revaluation increments less revaluation decrements recognised in equity		(10,493)	-	7,675,879	7,665,386
Net revaluation increments less revaluation decrements recognised in net result	6	(391,068)	-	1,470	(389,598)
Disposals	4	(504)	(2,321)	-	(2,825)
Asset write-off	6	-	-	(198,593)	(198,593)
Transfer (to)/from non-current assets held for sale		(21,475)	(286)	-	(21,761)
Reclassification between PPE classes		(513)	529	(16)	-
Reclassification between land and building classes		-	-	-	-
Transfer to infrastructure		(46,959)	-	46,959	-
Reclassifications (to)/from intangible assets	13(b)	-	(375)	(3,015)	(3,390)
Reclassifications (to)/from other assets		12,828	-	(497,397)	(484,569)
Depreciation expense	2(d)	(18,185)	(17,326)	(1,559,423)	(1,594,934)
Assets transferred in/(out) through equity	21	(18,371)	-	-	(18,371)
Transfer to councils	2(e)	-	-	(199,364)	(199,364)
Net carrying amount at year end		**3,660,886**	**105,371**	**88,383,377**	**92,149,634**

12. Property, plant and equipment (continued)

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

Year ended 30 June 2017
Reconciliation

	Notes	Land and buildings $ '000	Plant and equipment $ '000	Infrastructure systems $ '000	TOTAL $ '000
Net carrying amount at start of year		3,463,896	109,291	75,960,753	79,533,940
Additions		491,593	8,750	3,813,028	4,313,371
Assets recognised for the first time	3(f)	-	-	34,014	34,014
Net revaluation increments less revaluation decrements recognised in equity		44,082	-	885,456	929,538
Net revaluation increments less revaluation decrements recognised in net result	6	(368,085)	-	733	(367,352)
Disposals		(154)	(7,606)	-	(7,760)
Asset write-off		-	-	(262,709)	(262,709)
Transfer (to)/from non-current assets held for sale		2,303	-	-	2,303
Reclassification between PPE classes		355	23,486	(23,841)	-
Reclassification between land and building classes		-	-	-	-
Transfer to infrastructure		(30,523)	-	30,523	-
Reclassifications (to)/from intangible assets	13(b)	-	(4,879)	(25,930)	(30,809)
Depreciation expense	2(d)	(16,280)	(18,653)	(1,569,172)	(1,604,105)
Assets transferred in/(out) through equity	21	43,065	-	-	43,065
Transfer to councils	2(e)	-	-	(40,678)	(40,678)
Transfer from councils		-	-	869	869
Net carrying amount at end of year		**3,630,252**	**110,389**	**78,803,046**	**82,543,687**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 15.

12. Property, plant and equipment (continued)

(a) Land and buildings

Year ended 30 June 2018
Reconciliation

	Notes	Land* $ '000	Administrative Buildings* $ '000	Land and buildings acquired for future roadworks** $ '000	Leasehold improvements $ '000	TOTAL $ '000
Net carrying amount at start of year		295,410	174,780	3,128,542	31,520	3,630,252
Additions		-	15,354	507,455	2,565	525,374
Net revaluation increments less revaluation decrements recognised in equity		9,088	(19,581)	-	-	(10,493)
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	(391,068)	-	(391,068)
Disposals		(89)	(209)	-	(206)	(504)
Transfer (to)/from non-current assets held for sale		-	-	(21,475)	-	(21,475)
Reclassification between PPE classes		-	(304)	-	(209)	(513)
Reclassification between land and building classes		(2,246)	(1,944)	2,246	1,944	-
Transfer to infrastructure	12(c)	-	-	(46,959)	-	(46,959)
Reclassifications (to)/from other assets	13(a)	-	-	12,828	-	12,828
Depreciation expense		-	(8,702)	-	(9,483)	(18,185)
Assets transferred in/(out) through equity	21	(1,589)	(1,492)	(15,290)	-	(18,371)
Net carrying amount at end of year		**300,574**	**157,902**	**3,176,279**	**26,131**	**3,660,886**

* Administrative Land and Buildings were revalued during 2017-18 resulting in a net asset revaluation decrement of $10.5 million (2017: $44.1 million increment), recognised through equity. In 2017 the increment was recorded against asset revaluation reserve.

** In 2017-18, Land Acquired for Future Road Works (LAFFRW) was revalued resulting in an increase in the asset revaluation reserve of approximately $198.7 million (2017: $179.8 million). This increase has been offset with revaluation decrements arising from the transfers of LAFFRW to infrastructure. Total net revaluation decrement of $391.1million (2017: $368.1 million decrement) has been recognised in the net result.

12. Property, plant and equipment (continued)

(a) Land and buildings (cont'd)

Year ended 30 June 2017
Reconciliation

	Notes	Land*	Administrative buildings*	Land and buildings acquired for future roadworks**	Leasehold improvements	TOTAL
		$ '000	$ '000	$ '000	$ '000	$ '000
Net carrying amount at start of year		234,047	166,701	3,033,597	29,551	3,463,896
Additions		-	15,670	472,899	3,024	491,593
Net revaluation increments less revaluation decrements recognised in equity		30,869	13,213	-	-	44,082
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	(368,085)	-	(368,085)
Disposals		-	(3)	-	(151)	(154)
Transfer (to)/from non-current assets held for sale		(6,098)	-	8,401	-	2,303
Reclassification between PPE classes		-	(1)	(1)	357	355
Reclassification between land and building classes		36,752	(17,134)	(25,654)	6,036	-
Transfer to infrastructure	12(c)	-	7,529	(38,052)	-	(30,523)
Depreciation expense		-	(8,983)	-	(7,297)	(16,280)
Assets transferred in/(out) through equity	21	(160)	(2,212)	45,437	-	43,065
Net carrying amount at end of year		**295,410**	**174,780**	**3,128,542**	**31,520**	**3,630,252**

12. Property, plant and equipment (continued)

(b) Plant and equipment

Year ended 30 June 2018
Reconciliation

	Notes	Plant equipment and motor vehicles $ '000	Computer hardware $ '000	Electronic office equipment $ '000	TOTAL $ '000
Net carrying amount at start of year		101,046	8,322	1,021	110,389
Additions		14,739	6	16	14,761
Disposals		(2,321)	-	-	(2,321)
Transfer (to)/from non-current assets held for sale		(286)	-	-	(286)
Reclassification between PPE classes		594	(65)	-	529
Reclassifications (to)/from intangible assets	13(b)	(375)	-	-	(375)
Depreciation expense		(12,180)	(4,996)	(150)	(17,326)
Net carrying amount at end of year		**101,217**	**3,267**	**887**	**105,371**

Year ended 30 June 2017
Reconciliation

	Notes	Plant equipment and motor vehicles $ '000	Computer hardware $ '000	Electronic office equipment $ '000	TOTAL $ '000
Net carrying amount at start of year		86,557	21,553	1,181	109,291
Additions		5,627	3,111	12	8,750
Disposals		(3,964)	(3,622)	(20)	(7,606)
Reclassification between PPE classes		24,637	(1,151)	-	23,486
Reclassifications (to)/from intangible assets	13(b)	494	(5,373)	-	(4,879)
Depreciation expense		(12,305)	(6,196)	(152)	(18,653)
Net carrying amount at end of year		**101,046**	**8,322**	**1,021**	**110,389**

12. Property, plant and equipment (continued)

(c) Infrastructure systems

Year ended 30 June 2018

Reconciliation

	Notes	Roads $ '000	Land under roads $ '000	Bridges $ '000	Sydney Harbour Tunnel $ '000	Traffic signals network $ '000	Traffic controls network $ '000	Maritime assets $ '000	Major works in progress $ '000	TOTAL $ '000
Net carrying amount at start of year		53,735,359	2,176,261	15,351,566	942,684	120,500	166,249	572,948	5,737,479	78,803,046
Additions		486,397	-	109,195	-	3,934	12,550	-	3,652,410	4,264,486
Assets recognised for the first time	3(f)	18,697	-	25,346	-	-	-	-	5,302	49,345
Net revaluation increments less revaluation decrements recognised in equity		7,576,114	(413,642)	301,184	13,128	-	2,130	196,965	-	7,675,879
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	-	-	1,470	-	-	-	1,470
Asset write-off		(96,563)	-	(13,447)	-	(212)	(4,490)	(1,268)	(82,613)	(198,593)
Reclassification between PPE classes		1,665,714	-	378,702	-	-	-	44,110	(2,088,542)	(16)
Transfer from land and buildings	12(a)	-	46,959	-	-	-	-	-	-	46,959
Reclassifications (to)/from intangible assets	13(b)	-	-	-	-	-	-	-	(3,015)	(3,015)
Reclassifications (to)/from other assets		(94,530)	-	(340,875)	-	-	(2,036)	-	(59,956)	(497,397)
Depreciation expense	2(d)	(1,292,328)	-	(202,758)	(15,529)	(21,664)	(15,106)	(12,038)	-	(1,559,423)
Transfer to councils	2(e)	(180,103)	(1,607)	(17,654)	-	-	-	-	-	(199,364)
Net carrying amount at end of year		**61,818,757**	**1,807,971**	**15,591,259**	**940,283**	**104,028**	**159,297**	**800,717**	**7,161,065**	**88,383,377**

RMS has a Finance Lease agreement with Sydney Harbour Tunnel Company Limited (SHTC) in regards to the Sydney Harbour Tunnel. The agreement transfers ownership of the tunnel to RMS at the end of the lease term in 2022 (see Note 22(c) for further details). At 30 June 2018 the net carrying amount of this leased infrastructure assets was $940.3 million (2017: $942.7 million).

Comprehensive and interim revaluations have been performed for infrastructure assets with further details provided below.

12. Property, plant and equipment (continued)

Year ended 30 June 2017
Reconciliation

	Notes	Roads $ '000	Land under roads $ '000	Bridges $ '000	Sydney Harbour Tunnel $ '000	Traffic signals network $ '000	Traffic controls network $ '000	Maritime assets $ '000	Major works in progress $ '000	TOTAL $ '000
Net carrying amount at start of year		52,974,065	1,957,927	14,965,069	952,578	137,034	153,833	552,841	4,267,406	75,960,753
Additions		687,560	-	210,199	-	4,200	29,993	-	2,881,076	3,813,028
Assets recognised for the first time	3(f)	21,420	-	12,594	-	-	-	-	-	34,014
Net revaluation increments less revaluation decrements recognised in equity		588,732	180,406	94,375	5,364	-	807	15,772	-	885,456
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	-	-	733	-	-	-	733
Asset write-off		(118,779)	-	(4,709)	-	(76)	(3,374)	(1,117)	(134,654)	(262,709)
Reclassification between PPE classes		920,736	-	281,485	-	-	-	16,760	(1,242,822)	(23,841)
Transfer from land and buildings	12(a)	-	38,052	-	-	-	-	68	(7,597)	30,523
Reclassifications (to)/from intangible assets	13(b)	-	-	-	-	-	-	-	(25,930)	(25,930)
Depreciation expense	2(d)	(1,304,913)	-	(201,224)	(15,258)	(21,391)	(15,010)	(11,376)	-	(1,569,172)
Transfer to councils	2(e)	(34,308)	(147)	(6,223)	-	-	-	-	-	(40,678)
Transfer from councils		846	23	-	-	-	-	-	-	869
Net carrying amount at end of year		**53,735,359**	**2,176,261**	**15,351,566**	**942,684**	**120,500**	**166,249**	**572,948**	**5,737,479**	**78,803,046**

12. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

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

The cost of assets constructed for own use includes the cost of materials and direct labour, as well as an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets.

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

Where payment for property, plant and equipment is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted at an asset-specific rate over the period of credit.

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

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.

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.

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.

Assets not able to be reliably measured

RMS has minor cultural collection items such as prints, drawings and artefacts that cannot be reliably valued and are considered immaterial that have not been recognised in the statement of financial position.

Valuation and depreciation

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 *Property, Plant and Equipment*.

12. Property, plant and equipment (continued)

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 15 for further information regarding fair value.

RMS 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. Further details on asset revaluations can be found in note 15.

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ materially from carrying value. Generally, an interim revaluation is performed by management if the cumulative changes in indicators/indices are less than 20%. An interim formal revaluation is performed by external professionally qualified valuers when the cumulative changes in indicators/indices exceed 20%.

In circumstances where asset values are deemed material, management may engage external valuers to perform an interim revaluation where changes in indicators/indices are lower than 20%. Management will assess whether comprehensive revaluations are required more frequently if the interim revaluations indicate movements are generally more than 20%.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The entity 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 revenue.

Revaluation decrements are recognised immediately as expenses, 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.

12. Property, plant and equipment (continued)

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.

Plant and equipment

Asset	Measurement/Valuation Policy	Depreciation policy
Plant, equipment and vehicles	Depreciated historical cost	Depreciated on the straight-line method over the estimated useful life between 2 and 60 years.
Computer hardware	Depreciated historical cost	Depreciated on the straight-line method over the estimated useful life between 2 and 5 years.
Electronic office equipment	Depreciated historical cost	Depreciated on the straight-line method over the estimated useful life between 5 and 10 years.

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 the entity.

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 the entity 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.

12. Property, plant and equipment (continued)

Land and buildings

Asset	Measurement/Valuation policy	Depreciation policy
Administrative land and buildings in service Works administration properties	Land and buildings in service are generally valued using the market approach and at depreciated 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 will be carried out in the two years in between to ensure that carrying amounts do not differ materially from fair value at reporting date.	Buildings – Depreciated on the straight-line basis over the estimated useful life of between 10 and 50 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 progressively revalued to current market value over a three year cycle by registered valuers. Desktop valuations will be carried out in the two years in between the comprehensive revaluation to ensure that carrying amounts do not differ materially from fair value at reporting date. 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.

Individual LAFFRW parcels required for road construction are transferred to land under roads WIP when road construction begins. The date of transfer is the construction start date as detailed in the construction contract. At time of transfer, LAFFRW parcels are deemed to have no feasible alternative use and are revalued downwards to restriction in use.

Included in the value of land and buildings in service is an amount of $23.3 million (2017: $31.0 million) for both land and buildings on Crown land excluding depreciation on the buildings. As RMS effectively "controls" this Crown land, it has been included in RMS' Statement of Financial Position. Should such Crown land be transferred or disposed of, associated buildings are written off in the financial year the transfer or disposal takes place.

Land and Buildings Acquired for Future Roadworks comprise of untenanted land for roads (ULR), rental properties and surplus properties. The category is determined by the current use of the property. Land and Buildings will be revalued at market value over a three year cycle and desktop valuations performed in the two years in between to ensure that carrying amounts do not differ materially from fair value at reporting date. In 2017-18, ULR, Rental, Surplus and Administration Properties were subject to a desktop revaluation by registered valuers.

12. Property, plant and equipment (continued)

Indexation is applied to land and buildings not revalued as part of the current year progressive revaluations to ensure their carrying amounts do not differ materially from their fair value as at 30 June 2018. For details refer to Note 12(a).

Infrastructure systems

Asset	Measurement/Valuation policy	Depreciation policy
Roads	Depreciated replacement cost	Depreciated over estimated useful life using straight-line method.
Earthworks – Not Depreciated		- Indefinite
Earthworks – Depreciated		- 50 years
Pavement Wearing Surface – Asphalt		- 18 - 25 years
Pavement Wearing Surface – Spray Sealed		- 7 - 12 years
Pavement Wearing Surface – Concrete		- 18 - 25 years
Pavement Base and Sub-Base		- 81 - 108 years
Culverts & Drainage		- 50 - 100 years
Safety Barriers		- 40 - 80 years
Fences		- 40 years
Retaining Walls and Gabions		- 60 - 100 years
Noise Walls		- 100 years
Medians		- 50 years
Rest Areas		- 10 - 20 years
Other Assets (Footway, Vegetation, Landscaping, Kerbs and Gutters, Guide Posts, Pavement Markings, Signposting, and Street Lighting)		- 20 - 50 years
Bridges	Depreciated replacement cost	Depreciated over estimated useful life dependant on bridge type using straight-line method:
Timber structure and timber truss		- 60-100 years
Concrete structures		- 100 years
Steel structures		- 100 years
Heritage bridges		- 100 years
Bridge size culverts/tunnels		- 100 years
Traffic signals	Depreciated replacement cost	Depreciated over estimated useful life of 20 years using straight line method.

12. Property, plant and equipment (continued)

Asset	Measurement/Valuation policy	Depreciation policy
Traffic Control Network	Depreciated replacement cost	Depreciated over estimated useful life dependant on asset type using straight-line method
Traffic systems		- 5-20 years
Transport Management Centre		- 5-20 years
Variable message signs		- 15-50 years
Variable Speed signs		- 10-50 years
Weather Stations		- 10-50 years
Land under roads 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.
Sydney Harbour Tunnel	Depreciated replacement cost	Depreciated over estimate useful life depending on asset type:
Immersed tube		- 100 years
Mechanical and electrical		- 35 years
Pavement		- 35 years
Earthworks		- Indefinite life
Maritime roads	Depreciated replacement cost	Depreciated over estimated useful life of between 20 and 40 years.
Wharves and jetties	Depreciated replacement cost	Depreciated over estimated useful life of between 8 and 45 years.
Moorings and wetlands	Income approach	Indefinite lives.
Dredging assets	Replacement cost	Indefinite lives.
Seawall	Depreciated replacement cost	Depreciated over estimated useful life of between 25 and 40 years.
Navigational aids	Depreciated historical cost	Depreciated on the straight-line method over the estimated useful life between 5 and 20 years.

The determination of unit replacement rates for road, bridge and traffic control signal infrastructure valuations is carried out at least every five years by independent externally engaged qualified valuers, engineering contractors and employees of RMS.

These assets are recorded initially at construction cost and the average annual percentage increase in the Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI) (2017: Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI)) is applied each year until the following unit replacement rate review is undertaken.

12. Property, plant and equipment (continued)

Subsequent to the review, infrastructure is valued using the unit replacement rates, adjusted by the applicable RBCI (2017: RBCI).

Land under roads and within road reserves are revalued annually by applying the most recent urban rateable average value per hectare provided by the Valuer-General to the land under roads and within reserves within each Local Government Area. (LGA), and adjusting this value by the "open spaces ratio". 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 and other improvements. The Valuer-General's urban average rateable values are calculated by reference to land values only and do not include the value of any improvements.

Major works-in-progress are valued at construction cost and exclude the cost of land, which is currently disclosed as land under roads.

For details refer to Note 15(b).

A full valuation of the road and bridge infrastructure assets was carried out by an independent valuer on 31 March 2018. All road and bridge infrastructure assets are stated at fair value using the depreciated replacement cost (DRC) approach.
The methods and significant assumptions applied in estimating the 'Roads' and 'Bridges' asset class fair values include:

Valuation methodologies

Roads

Primary Approach – applied to pavements (wearing surface and base/sub-base), culverts, earthworks, safety barriers and fencing, noise walls, retaining walls, medians and rest areas. This approach involved the following steps:

- Obtaining inventory details for components by Road Asset Management System (RAMS) segment/unique ID
- Estimating replacement costs based on quantity/area/length and applying unit rates to the inventory listings
- Estimating normal useful lives and remaining useful lives based on asset condition (base/sub-base only)
- Applying depreciation (straight line) based on age/life and remaining useful life, and asset condition (base/sub-base only) analysis to estimate fair value.

Secondary Approach – applied to "other" corridor assets categories. This approach involved the following steps:

- Obtaining percentage breakdown of components from RMS's Project Management Office (PMO)
- Converting PMO percentages to "known assets" percentages
- Estimating replacement costs based on replacement cost of "known assets"
- Estimating normal useful lives
- Applying depreciation (straight line) based on age/life analysis to estimate fair value

Hybrid Approach – used for longitudinal and subsoil drainage assets, involving a combination of the Primary and Secondary Approaches.

Earthworks assumptions

- Sub-categories for Earthworks have been identified by 'Region', 'Road rank', and 'Terrain'
- RMS's PMO unit rates were only available by region and therefore adjusted to include road rank and terrain, using assumed typical earthwork depths, to capture the cost variations for all stereotypes

Pavement assumptions

- Base/sub-base component ages have been based on the newer of the road construction or rehabilitation dates
- The effective age and remaining useful lives of base/sub-base assets to determine their fair value are estimated based on the asset condition data derived by the RMS pavement engineers.
- Wearing surface asset ages have been based on the newer of construction, resurfacing or rehabilitation dates

12. Property, plant and equipment (continued)

- Remaining life extensions of 2 years have been applied to wearing surface components past their useful lives. These assumptions are based on RMS's projected pavement rebuilding/resurfacing estimates.
- Sub-categories for Pavements have been identified by 'Pavement category', 'Region', and 'Road rank'

Culvert and Drainage assumptions
- Ages for Culverts have been calculated using the road construction date
- A remaining life extension of 5 years has been applied to all Culverts and Drainage that were past their useful life
- Stereotypes for Culverts have been identified as 'Culvert type', 'Region', and 'Pipe diameter / box width'
- Culverts with high risk rating (ARL 1 and 2) have been depreciated on a straight line basis over an effective remaining useful live of 10 years in accordance with RMS' current Corridor Asset Management Plan
- Longitudinal Drainage assumed to be located in urban terrains in Sydney region only (Hunter region captured in Culverts inventory), and applied to 50 percent of segment lengths only
- 375mm pipe culvert unit rate was deemed most appropriate for Longitudinal Drainage
- Subsoil Drainage primary types include edge and trench drains and only concrete pavement types assumed to include edge drains. Unit rates (per m) were based on 100mm perforated plastic piping.
- Major culverts over 6 metres are classified as bridges and included in the Bridge Asset Class.

Safety Barrier and Fence assumptions
- Sub-categories have been identified by 'Barrier type', 'Start and end terminal type' and 'Region'
- Age calculations for depreciation were determined using the barrier construction date, if available, or the road segment construction date as a proxy.
- A remaining life extension of 5 years has been applied to all safety barriers and fences that were past their useful life.

Retaining Walls, Rest Areas and Medians assumptions
- The ages of the assets were calculated based on the segment construction date
- A remaining life extension of 5 years has been applied to the assets that were past their useful life.

Noise Walls assumptions
- Age calculations for depreciation were determined using the noise wall construction date, if available, or the road segment construction date as a proxy
- A remaining life extension of 5 years has been applied to all noise walls that were past their useful life.

Bridges and Tunnels

The approach involved the following steps:
- Obtaining bridge asset inventory data from the Bridge Information System (BIS).
- Applying unit rates to the inventory listing based on the modern equivalent capitalisation type.
- Estimating replacement cost based on the bridge deck area.
- Estimating normal useful lives and remaining useful lives based on element condition data.
- Applying depreciation (straight line) based on age/life analysis to estimate fair value. The element condition data collected by RMS bridge maintenance planners was used to assess the effective age and effective remaining lives of the bridge assets

Due to the specialised nature of RMS' 'Roads' asset class, and the fact that RMS' road assets are not sold or traded, the fair value for this asset class 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, primarily with reference to current tendered contract rates produced by the RMS Project Management Office.

Capitalisation of expenditure

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(a)).

12. Property, plant and equipment (continued)

Finance leases

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

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at the lower of its fair value and the present value of minimum lease payments at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that class of asset.

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 depreciated replacement cost, where depreciated replacement cost is also fair value.

The entity assesses, during each reporting date, whether there is an indication that an asset may be impaired.

13. Non-current assets - intangibles assets and other

(a) Private sector provided infrastructure

		Notes	2018 $'000	2017 $'000
M2 Motorway/M2 Widening	Carrying amount at start of year		235,108	196,823
	Annual increment - emerging right to receive	3(f)	40,318	38,285
	Carrying amount at end of year		**275,426**	**235,108**
M4 Motorway Service Centre	Carrying amount at start of year		11,818	10,215
	Annual increment - emerging right to receive	3(f)	1,010	1,603
	Transfer to RMS owned Land and Buildings	12(a)	(12,828)	-
	Carrying amount at end of year		**-**	**11,818**
M4 Motorway/M4 Widening	Carrying amount at start of year		-	-
	Annual increment - emerging right to receive		7,060	-
	Carrying amount at end of year		**7,060**	**-**
M5 South-West Motorway	Carrying amount at start of year		353,966	312,127
	Annual increment - emerging right to receive	3(f)	44,434	41,839
	Carrying amount at end of year		**398,400**	**353,966**
Eastern Distributor	Carrying amount at start of year		167,008	146,110
	Annual increment - emerging right to receive	3(f)	22,269	20,898
	Carrying amount at end of year		**189,277**	**167,008**
Cross City Tunnel	Carrying amount at start of year		248,437	219,207
	Annual increment - emerging right to receive	3(f)	30,832	29,230
	Carrying amount at end of year		**279,269**	**248,437**
Westlink M7 Motorway	Carrying amount at start of year		508,855	445,693
	Annual increment - emerging right to receive	3(f)	66,705	63,162
	Carrying amount at end of year		**575,560**	**508,855**
Lane Cove Tunnel	Carrying amount at start of year		309,716	271,321
	Annual increment - emerging right to receive	3(f)	40,709	38,395
	Carrying amount at end of year		**350,425**	**309,716**
	Total carrying amount at the end of period		**2,075,417**	**1,834,908**
Total	**Carrying amount at start of year**		**1,834,908**	**1,601,496**
	Annual increment - emerging right to receive		**253,337**	**233,412**
	Transfer to RMS owned assets	**12(a)**	**(12,828)**	**-**
	Carrying amount at end of year		**2,075,417**	**1,834,908**

13. Non-current assets - intangibles assets and other (continued)

Recognition and Measurement

In respect of certain private sector provided infrastructure assets: M2 Motorway, M4 Service Centre, M5 South-West Motorway, the Eastern Distributor, the Cross City Tunnel, the Westlink M7 Motorway, the Lane Cove Tunnel and the M4 Widening of the WestConnex Stage 1A, RMS values each right to receive asset by reference to RMS' emerging share of the written down replacement cost of each asset apportioned using an annuity approach. Under this approach, the ultimate value of the right to receive the property is treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with an amount representing notional compound interest (refer note 3(f)).

RMS initially accounts for any up-front contribution to the private sector operator for the construction of the PSPI as prepayment, and recognises them progressively as expense over the concession period.

M2 Motorway

RMS entered into a contract with the concession holder to design, construct, operate and maintain the M2 Motorway. Under the terms of the initial Project Deed, ownership of the M2 Motorway will revert to RMS 45 years from the M2 commencement date of 26 May 1997.

.

To facilitate these works, RMS leased land detailed in the M2 Motorway Project Deed for the term of the Agreement. Until the project realises a real after tax internal rate of return of 12.25 per cent per annum, rent is payable, at the Lessee's discretion, in cash or by promissory note. On achievement of the required rate, the rent is payable in cash. Under the terms of the lease, RMS 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. The term of the Agreement ends on the 45th anniversary of the M2 commencement date (i.e. 26 May 2042) subject to the provisions of the M2 Motorway Project Deed.

No payments have been made for rents on the leases for the year ended 30 June 2018 (2017: No payments made). RMS, as at 30 June 2018, has received promissory notes for rent on the above leases totalling $204.4 million (2017: $192.6 million). The value of these promissory notes as at 30 June 2018 is $36.8 million (2017: $33.7 million) (Refer to note 11).

The NSW Government announced the Hills M2 Upgrade on 26 October 2010. Construction of the upgrade was substantially completed in August 2013. The initial construction cost was $550 million. RMS has recognised an emerging asset for the M2 upgrade until the end of the existing concession period. In 2014-15 the concession period was extended for a further period of four years on the completion of the road widening.

The total carrying value of the M2 Motorway emerging asset, including the M2 Upgrade, is $275.4 million as at 30 June 2018 (2017: $235.1 million).

An agreement was reached on 31 January 2015 for further integration works to be done to the M2, to connect it with the new NorthConnex motorway. The work was completed in May 2018 which extended the concession term by a further two years to 30 June 2048.

13. Non-current assets - intangibles assets and other (continued)

M4 Motorway Service Centre

In October 1992, RMS and the concession holder entered into the M4 Service Centre Project Deed under which RMS agreed to acquire land and lease the land to the concession holder. The concession holder agreed to finance, design, construct, maintain and operate two service centres which are located on each carriageway of the M4 at Eastern Creek.

The M4 Service Centres were opened for use on 1 January 1993. The concession holder operated, maintained and repaired the service centres until 31 December 2017, after which the service centres was transferred back to RMS.

The total carrying value of the M4 Motorway Service Centre emerging asset was $12.8 million as at 31 December 2017 (2017: $11.8 million) after which it was transferred back to RMS owned land and buildings asset at $51.9 million.

M5 South-West Motorway

RMS entered into a contract with the concession holder to design, construct, operate and maintain the M5 Motorway. The initial concession period for the M5 Motorway was for the period 14 August 1992 to 14 August 2022.

In consideration for the concession holder undertaking construction of an additional interchange at Moorebank (M5 Improvements), the initial concession period has been subsequently extended to 22 August 2023.

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, RMS determines that the expected financial return has been achieved, RMS 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.

In November 2009, the NSW Government announced a proposal to expand the M5 corridor. The M5 West widening would expand the South West Motorway generally from two to three lanes in each direction to reduce travel time for motorists using the motorway and surrounding roads. Major construction started in August 2012 and was completed in December 2014. The end of the concession period has been extended by 3 years and 3 months from 22 August 2023 to 10 December 2026 upon completion of the widening work. RMS has recognised an additional emerging asset for the M5 expansion to the end of the concession period, i.e. to 10 December 2026.

The total carrying value of the M5 South-West Motorway emerging asset, including the M5 widening, is $398.4million as at 30 June 2018 (2017: $354.0 million).

13. Non-current assets - intangibles assets and other (continued)

Eastern Distributor

An agreement was signed with the concession holder on 27 June 1997 to finance, design, construct, operate, maintain and repair the Eastern Distributor which was opened to traffic on 23 July 2000.

In consideration of RMS granting to the concession holder the right to levy and retain tolls on the Eastern Distributor, the concession holder is required to pay concession fees in accordance with the Agreement. From the date of Financial Close, which occurred on 18 August 1997, the concession holder has paid $285 million by way of promissory notes (being $15 million on Financial Close and $15 million on each anniversary of Financial Close). A further $2.2 million was received in cash six months after Financial Close and $8 million in cash on the third anniversary of Financial Close. Under the Agreement, the promissory notes show a payment date (subject to provisions in the Project Deed) of 24 July 2048 and, as at 30 June 2018, the promissory notes have a value of $20.6 million (2017: $18.7million) (refer note 11).

Under the terms of the Project Deed, ownership of the Eastern Distributor will revert to RMS on the earlier of the achievement of specified financial returns outlined in the Deed or 48 years from the Eastern Distributor Commencement Date of 23 July 2000. The conservative period of 48 years has been used to calculate RMS' emerging share of the asset. The total carrying value of the Eastern Distributor emerging asset is $189.3 million as at 30 June 2018 (2017: $167.0 million).

Cross City Tunnel

An agreement was signed with the concession holder on 18 December 2002 to design, construct, operate and maintain the Cross City Tunnel. Major construction started on 28 January 2003. The Cross City Tunnel was completed and opened to traffic on 28 August 2005.

The construction cost was $642.0 million with the cost being met by the private sector. 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 RMS.

Reimbursement of certain development costs was received by RMS from the operator in the form of an upfront cash payment in August 2005. The amount of this payment was $96.9 million.

The total carrying value of the Cross City Tunnel emerging asset is $279.3 million as at 30 June 2018 (2017: $248.4 million).

13. Non-current assets - intangibles assets and other (continued)

Westlink M7 Motorway

An agreement was signed with the concession holder on 13 February 2003 to design, construct, operate and maintain the Westlink M7 Motorway. Major construction started on 7 July 2003 and the completed motorway was opened to traffic on 16 December 2005.

The construction cost was $1.5 billion. The Federal Government contributed $356.0 million towards the cost of the project with the remainder of the cost being met by the private sector. RMS had responsibility under the contract for the provision of access to property required for the project. 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 RMS.

Reimbursement of certain development costs were received by RMS from the operator in the form of an upfront cash payment in January 2006. The amount of this payment was $193.8 million.

The total carrying value of the Westlink M7 Motorway emerging asset is $575.6 million as at 30 June 2018 (2017: $508.9 million).

At the time of the modification to the contract for the NorthConnex RMS 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 (refer to Note 20). The concession receivable was subsequently monetised in October 2015 in which RMS received $174.2 million proceeds.

Lane Cove Tunnel

An agreement was signed with the concession holder on 4 December 2003 to finance, design, construct, operate and maintain the Lane Cove Tunnel Project. Major construction started on 24 June 2004 and the tunnel was opened to traffic on 25 March 2007.

The construction cost was $1.1 billion, with the cost being met by the private sector. RMS was responsible under the contract for the provision of access to property required for the project, which was identified by the Project Deed. 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 RMS.

Reimbursement of certain development costs were received by RMS from the operator in the form of an upfront cash payment in April 2007. The amount of this payment was $79.3 million.

The total carrying value of the Lane Cove Tunnel emerging asset is $350.4 million as at 30 June 2018 (2017: $309.7 million).

In consideration for the extension of the concession term, RMS will receive a further $200 million in concession fees over a period from 31 December 2017 to 30 June 2019 (refer to note 20). As at 30 June 2018, RMS has received $45.0 million in concession fees (2017: $0). RMS values the concession receivable at amortised cost. As at 30 June 2018, these future receipts have a value of $146.9 million (2017: $183.1 million) (refer to Note 11).

13. Non-current assets - intangibles assets and other (continued)

NorthConnex

An agreement was signed with the concession holder on 31 January 2015 to finance, design, construct, operate and maintain the NorthConnex motorway.

The motorway is estimated to cost approximately $3.0 billion to complete. Under the terms of the agreement, RMS will contribute $992.6 million in cash towards the construction, construction management and property acquisition costs, and the balance will be financed by the concession holder. RMS will receive up to $412.3 million from Restart NSW and up to $405.0 million from the federal government in the form of non-reciprocal cash grants to finance the bulk of its contribution.

On completion of construction, which is expected to be in 2019, 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 RMS. Up until the end of the concession period, RMS 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.

When the motorway is open to the public, RMS will value the NorthConnex asset by reference to RMS' emerging share of the depreciated replacement cost of the asset over the period of the concession period calculated using the effective interest rate method (refer note 3(f)). As at 30 June 2018, RMS has not recognised an emerging asset.

WestConnex

The WestConnex project comprises three stages including M4 Widening and M4 East Tunnel (New M4), construction of the new M5 Tunnel, and the M4-M5 link.

M4 Widening and New M4 (Stage 1)

The Stage 1 Project Deed was signed with the concession holder on 4 June 2015 to design, construct, operate and maintain part of the WestConnex motorway including widening the M4 West motorway (Stage 1A), and the construction of surface works and new tunnels for M4 East (Stage 1B).

Stage 1A was opened to traffic on 4 July 2017 and the completion of Stage 1B construction is expected to be in 2019. The Project Deed stipulates that the concession holder will operate the motorway until 2060, after which the motorway will be transferred back to RMS at no cost. Up until the end of the concession period, RMS will grant the concession holder the right to levy and retain tolls on the motorway. Under the Project Deed, RMS is entitled to a share of tolling revenue above the base revenue threshold. As the revenue is contingent upon the level of traffic on the road, RMS will only recognise the revenue when it has been determined that the actual tolling revenue collected has exceeded the threshold.

The total carrying value of the M4 Widening (Stage 1A) emerging asset is $7.1 million as at 30 June 2018 (2017: $Nil).

13. Non-current assets - intangibles assets and other (continued)

New M5 (Stage 2)

The Stage 2 Deed was signed on 20 November 2015 to develop and upgrade the existing M5 East from Beverly Hills to St Peters. Under the Stage 2 Project Deed, RMS granted the concession holders a right to design, construct, operate, maintain and collect tolls until 2060.

As part of the arrangement, RMS will grant Motorway Stratum Land Leases over New M5 Main Works and M5 East Lease from January 2020 (unless the toll road is opened prior), and M5 West Lease from December 2026 to the termination date of 31 December 2060. Under the Stratum Land Lease, RMS is entitled to a share of tolling revenue above the base revenue threshold. As the revenue is contingent upon the level of traffic on the road, RMS will only recognise the revenue when it has been determined that the actual tolling revenue collected has exceeded the threshold.

New M4 and New M5 (Stage 1B and 2)

RMS will not recognise any amounts relating to the improvement of the roads during the design and construction phase, as the risks and rewards of the improvements to the road rest with the operator. When the motorways are open to the public, RMS will value the WestConnex assets by reference to RMS' emerging share of the depreciated replacement cost of the assets over the concession period calculated using the effective interest rate method (refer note 3(f)). As at 30 June 2018, RMS has not recognised an emerging asset.

M4-M5 Link (Stage 3)

The Stage 3A Deed was signed with the concession holder on 12 June 2018 to design, construct, operate and maintain the main tunnel connecting the M4 East at Haberfield to the New M5 at the St Peters Interchange, via Rozelle and Camperdown. The Project Deed stipulates that the concession holder will operate the motorway until 31 December 2060, after which the motorway will be transferred back to RMS at no cost. Up until the end of the concession period, RMS will grant the concession holder the right to levy and retain tolls on the motorway.

The Stage 3B is currently in the development phase and it is not expected any agreements will be reached with the proposed concession holder until the 2018-19 financial year.

13. Non-current assets - intangibles assets and other (continued)

(b) Other intangible assets

	Notes	2018 $'000	2017 $'000
Balance at start of year			
Information technology system:			
Cost		368,727	333,611
Accumulated amortisation and impairment		(199,561)	(176,083)
Net carrying amount at the start of year		**169,166**	**157,528**

	Notes	2018 $'000	2017 $'000
Balance at end of year			
Information technology system:			
Cost		371,015	368,727
Accumulated amortisation and impairment		(217,219)	(199,561)
Net carrying amount at end of year		**153,796**	**169,166**
Net carrying amount at start of year		169,166	157,528
Additions		19,037	15,946
Disposals	4	(437)	(271)
Transfer (to)/from PPE	12	3,390	30,809
Amortisation expense	2(d)	(37,360)	(34,846)
Net carrying amount at end of year	13(b)	**153,796**	**169,166**

Recognition and Measurement

RMS recognises intangible assets only if it is probable that future economic benefits will flow to RMS and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Asset	Valuation policy	Depreciation policy
Intangible assets	Depreciated historical cost	Amortised using the straight-line method over the estimated useful life of between 2 and 10 years.

14. Non-current assets held for sale

	2018 $'000	2017 $'000
Land and buildings	835	275
Plant and equipment	286	-
Non-current assets held for sale	**1,121**	**275**

Recognition and Measurement
RMS 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 recognised 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. The gain or loss recognised on sale is: land and buildings $1.64 million loss (2017: $134.9 million gain), plant and equipment $0.08 million gain (2017: $Nil). The written down value of assets held for sale derecognised: land and buildings $20.7 million (2017: $226.6 million), plant and equipment $0.10 million (2017: $Nil).

The current period land held for sale includes revaluation increment of $NIL (2017: $0.3 million). Further details regarding the fair value measurement are disclosed in Note 15.

15. Fair value measurement of non-financial assets

(a) Fair value 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, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

Refer to note 30 for further disclosures regarding fair value measurements of financial and non-financial assets.

	Level 1 2018 $'000	Level 2 2018 $'000	Level 3 2018 $'000	Total fair value 2018 $'000
Property, plant and equipment				
Land and buildings	-	3,660,886	-	3,660,886
Infrastructure systems*	-	-	81,222,312	81,222,312
Non-current assets held for sale	-	1,121	-	1,121
	-	**3,662,007**	**81,222,312**	**84,884,319**

	Level 1 2017 $'000	Level 2 2017 $'000	Level 3 2017 $'000	Total fair value 2017 $'000
Property, plant and equipment				
Land and buildings	-	3,630,252	-	3,630,252
Infrastructure systems*	-	-	73,065,567	73,065,567
Non-current assets held for sale	-	275	-	275
	-	**3,630,527**	**73,065,567**	**76,696,094**

*Work in progress is measured at cost and has been excluded from Note 15 Fair value measurement of non-financial assets note disclosure.

15. Fair value measurement of non-financial assets (continued)

(b) Valuation techniques, inputs and processes

Valuation Technique	Valuation input
Roads	
Depreciated replacement cost of significant road asset components: Pavements Asphalt Concrete Spray Culverts Drainage Longitudinal Subsoil Safety Barriers Fences Retaining Walls Medians Rest Areas Noise Walls Other Assets are depreciated over estimated useful life depending on road component type (Note 12). Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI. The determination of unit replacement rates for road valuations is carried out at least every 5 years by independent externally engaged qualified engineering contractors and employees of RMS.	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. RBCI is applied to the replacement cost of the components, to ensure that carrying amounts are at fair value. 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
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.	Local Government Area rateable land values provided by the NSW Valuer-General. Measurements of land area in situ under roads.
Bridges	
Depreciated replacement cost for the following bridge types: Timber Structures Concrete structures Steel structures Bridge Trusses (timber and steel) Heritage Bridges Bridge size culverts/tunnels Bridge assets are depreciated over estimated useful depending on bridge type (Note 12).	Replacement cost per unit of bridge 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. RBCI is applied to the replacement cost of the assets, to ensure that carrying amounts are at fair value.

15. Fair value measurement of non-financial assets (continued)

Valuation Technique	Valuation input
Cost/m^2 rates per bridge type are derived from current estimated bridge construction costs. Bridge asset fair value is determined by applying the replacement rate by type to bridge area. Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI. The determination of replacement rates for bridge valuations is carried out at least every 5 years by independent externally engaged qualified engineering contractors and employees of RMS.	Assets are depreciated over their remaining useful life depending on bridges' condition as depicted by the element condition data or estimated useful life depending on the bridge's capitalisation type.
Sydney Harbour Tunnel	
Depreciated replacement cost of major asset components: Immersed Tube Mechanical and Electrical Pavement Earthworks Assets are depreciated over estimated useful life depending on component type (Note 12).	The Sydney Harbour Tunnel (SHT) was initially valued in 2009 as part of a review of the extant accounting treatment of the asset at that time. A key outcome of that review was an initial recognition of the physical asset in the financial statements of the former Roads and Traffic Authority. Thereafter, the SHT has been revalued annually by the RBCI. The RBCI is applied to the replacement cost of the components, to ensure that carrying amounts are at fair value. The fair value at that time was derived by indexing (RBCI) estimates of the initial construction cost of the SHT and the relative proportions of its major component types. Depreciation was applied over estimates of useful lives of those component types. There has been no material change to either the initial estimates or the valuation process.
Traffic Signals Network	
Depreciated replacement cost. Assets are depreciated over estimated useful life (Note 12). Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI. The determination of traffic signal unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified engineering contractors and employees of RMS.	Current unit replacement costs. RBCI is applied to the replacement cost of assets to ensure the carrying amounts are at fair value.
Traffic Control Network	
Depreciated replacement cost of major asset components:	Current unit replacement costs.

15. Fair value measurement of non-financial assets (continued)

Valuation Technique	Valuation input
Traffic Systems Transport Management Centre Variable Message signs Assets are depreciated over estimated useful life depending on component type (Note 12). Fair value is re-valued in interim periods between comprehensive revaluations by movements in the RBCI. The determination of traffic control system unit replacement rates for valuations is carried out at least every 5 years by externally engaged qualified engineering contractors and employees of RMS.	RBCI is applied to the replacement cost of assets to ensure the carrying amounts are at fair value.
Maritime Assets	
Depreciated replacement cost for: * Wharves and jetties * Dredging assets * Seawall * Maritime roads Assets are depreciated over estimated useful life depending on asset type (Note 12). Fair value is re-valued 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 professionals and employees of RMS. Income Approach for: Moorings and wetlands Estimates of total revenue earned on long term mooring and wetland leases are capitalised at net present value.	Current unit replacement costs. Estimated total lease revenue.

15. Fair value measurement of non-financial assets (continued)

(c) Reconciliation of recurring Level 3 fair value measurements

		Roads	Land under roads	Bridges	Sydney Harbour Tunnel	Traffic signals network	Traffic controls network	Maritime assets	TOTAL
		$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
2018	Net carrying amount at start of year	53,735,359	2,176,261	15,351,566	942,684	120,500	166,249	572,948	73,065,567
	Additions	486,397	-	109,195	-	3,934	12,550	-	612,076
	Assets recognised for the first time	18,697	-	25,346	-	-	-	-	44,043
	Net revaluation increments less revaluation decrements recognised in equity	7,576,114	(413,642)	301,184	13,128	-	2,130	196,965	7,675,879
	Net revaluation increments less revaluation decrements recognised in net result	-	-	-	-	1,470	-	-	1,470
	Asset write-off	(96,563)	-	(13,447)	-	(212)	(4,490)	(1,268)	(115,980)
	Reclassification between PPE classes	1,665,714	-	378,702	-	-	-	44,110	2,088,526
	Transfer from Level 2	-	46,959	-	-	-	-	-	46,959
	Reclassifications (to)/from other assets	(94,530)	-	(340,875)	-	-	(2,036)	-	(437,441)
	Depreciation expense	(1,292,328)	-	(202,758)	(15,529)	(21,664)	(15,106)	(12,038)	(1,559,423)
	Transfer to councils	(180,103)	(1,607)	(17,654)	-	-	-	-	(199,364)
	Net carrying amount at end of year	**61,818,757**	**1,807,971**	**15,591,259**	**940,283**	**104,028**	**159,297**	**800,717**	**81,222,312**
2017	Net carrying amount at start of year	52,974,065	1,957,927	14,965,069	952,578	137,034	153,833	552,841	71,693,347
	Additions	687,560	-	210,199	-	4,200	29,993	-	931,952
	Assets recognised for the first time	21,420	-	12,594	-	-	-	-	34,014
	Net revaluation increments less revaluation decrements recognised in equity	588,732	180,406	94,375	5,364	-	807	15,772	885,456
	Net revaluation increments less revaluation decrements recognised in net result	-	-	-	-	733	-	-	733
	Asset write-off	(118,779)	-	(4,709)	-	(76)	(3,374)	(1,117)	(128,055)
	Reclassification between PPE classes	920,736	-	281,485	-	-	-	16,760	1,218,981
	Transfer from Level 2	-	38,052	-	-	-	-	68	38,120
	Depreciation expense	(1,304,913)	-	(201,224)	(15,258)	(21,391)	(15,010)	(11,376)	(1,569,172)
	Transfer to councils	(34,308)	(147)	(6,223)	-	-	-	-	(40,678)
	Transfer from councils	846	23	-	-	-	-	-	869
	Net carrying amount at end of year	**53,735,359**	**2,176,261**	**15,351,566**	**942,684**	**120,500**	**166,249**	**572,948**	**73,065,567**

Parcels of land are transferred from LAFFRW (level 2) to Land Under Roads (level 3) when construction begins. Refer Note 12 for RMS policy for determining when transfers are deemed to have occurred.

16. Restricted Assets

	2018 $'000	2017 $'000
Cash and cash equivalents	369,268	334,013

Holders of E-tags provide an initial amount as a security deposit for the use of the actual E-tag. The deposit is refundable upon closure of the associated E-tag account. Monies received for these deposits of $56.4 million (2017: $55.2 million) are held within the Treasury Banking System. Transactions on this account are restricted to activity relating to E-Tag deposits.

Funds administered on behalf of the Maritime Waterways fund are restricted to activity relating to the maritime transactions. The monies of $265.4 million (2017: $226.6 million) are held within Westpac Bank Accounts that are included in the Treasury Banking System. They are controlled by RMS and are covered by Section 42 of the *Ports and Maritime Administration Act 1995*.

Funds relating to land acquisitions by the state, the authority of the state are required to keep the money in a fund for the person entitled to the compensation concerned. Monies received for these deposits of $47.5 million (2017: $43.5 million) are held within the Treasury Banking System. Transactions on this account are restricted to activity relating to land acquisitions.

Funds administered on behalf of the Tow Truck Industry Fund and are restricted to activity relating to the fund. The balance of $NIL this financial year (2017: $8.5 million) is due to the Tow Truck account ownership being transferred to the DFSI on 15 October 2017. Transactions on this account are restricted to activity relating to Tow Truck Licensing.

Rental bonds are held against RMS properties that are leased to various customers. The funds are interest-bearing and are due to customers at the end of the lease period. Monies received for these deposits of $0.01 million (2017: $0.2 million) are held within Westpac Bank Accounts that are included in the Treasury Banking System. Transactions on these accounts are restricted to rental payments.

17. Payables

	2018 $'000	2017 $'000
(i) Current payables		
Accrued expenses		
- Work carried out by councils	151,776	135,429
- Works contract expenditure	406,475	415,772
- Other (including non-works contracts)	264,512	252,117
Trade creditors*	108,790	169,350
Creditors arising from compulsory acquisitions	236,098	115,176
Personnel services	71,949	61,956
Other	97,775	88,519
Current payables	**1,337,375**	**1,238,319**
(ii) Non-current payables		
Personnel services	5,349	7,469
Other	3,811	7,623
Non-current payables	**9,160**	**15,092**

*The average credit period on purchases of goods is 30 days. RMS has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Recognition and Measurement

Payables represent liabilities for goods and services provided to RMS and other amounts, including interest. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method.

Subsequent to the commencement of the *Government Sector Employment Act 2013*, the RMS Group of employees were transferred to Transport Service. Accordingly, employee related provisions are no longer recognised and instead disclosure reflects the personnel services payable to Transport Service.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 30.

18. Borrowings

	Notes	2018 $'000	2017 $'000
(i) Current - Unsecured			
Finance lease - Sydney Harbour Tunnel	22(c)	60,558	53,680
Current borrowings		**60,558**	**53,680**
(ii) Non-current - Unsecured			
Finance lease - Sydney Harbour Tunnel	22(c)	244,575	305,133
Non-current borrowings		**244,575**	**305,133**

Details regarding credit risk, liquidity risk and market risk, including maturity analysis of the above borrowings are disclosed in Note 30.

Recognition and Measurement

Finance lease liabilities are recognised in accordance with AASB117 *Leases*. Minimum lease payments made under finance leases are apportioned between the interest expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a consistent periodic rate of interest on the remaining balance of the liability.

Changes in liabilities arising from financing activities:

$'000	1 July 2017	Cash	Non-cash	30 June 2018
Lease liability	358,813	(53,680)	-	305,133
Total	**358,813**	**(53,680)**	**-**	**305,133**

Financial guarantees

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

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially recognised at fair value plus, in the case of financial guarantees not at fair value through profit or loss, directly attributable transaction costs, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less accumulated amortisation, where appropriate.

RMS 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, RMS is required to lodge a security deposit in the form of bank guarantee. Under the *Public Authorities and (Financial Arrangements) Act 1987*, RMS has an approved limit from TCorp of $3.0 million which expired on 30 June 2018.

RMS has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2018 and as at 30 June 2017. Refer to note 23 regarding disclosures on contingent liabilities.

19. Provisions

	2018 $'000	2017 $'000
(i) Current provisions		
Provision for makegood - leasehold	2,294	2,108
Provision for remediation - land	6,923	5,000
Other	7,283	-
Current provisions	**16,500**	**7,108**
(ii) Non-current provisions		
Provision for makegood - leasehold	11,941	10,605
Other	14,162	-
Non-current provisions	**26,103**	**10,605**
Total provisions	**42,603**	**17,713**

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

	Provision for makegood - leasehold $'000	Provision for remediation - land $'000	Other $'000	Total $'000
Carrying amount at start of year	12,713	5,000	-	17,713
Additional provisions recognised	2,565	2,785	21,445	26,795
Unused amounts reversed	(867)	-	-	(867)
Unwinding/change in the discount rate	132	-	-	132
Amounts utilised	(308)	(862)	-	(1,170)
Carrying amount at end of year	**14,235**	**6,923**	**21,445**	**42,603**

The makegood leaseholds provision is calculated on all leased properties where RMS is the lessee and reflects an estimate of the cost to makegood the premises to their original condition at the end of the lease term. The calculated provision balance as at 30 June 2018 is based on per square metre rates ranging from $103 to $228 (2017: $101 to $222), adjusted by CPI of 2.25% (2017: 2.25%) and discounted at an average rate of 2.14% (2017: 1.85%). The level of the provision is reviewed at the end of each year.

Recognition and Measurement

Provisions are recognised when RMS 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 organisation has a detailed formal plan and has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

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

A provision has been made for the present value of anticipated costs of future environmental restoration, make good leases and land restorations. The calculation of this provision requires assumptions such as application of environmental legislation, community expectations, available technologies and cost estimates. These uncertainties may result in future actual

19. Provisions (continued)

expenditure differing from the amounts currently provided. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the expense and/or asset (if applicable) and the provision

20. Other liabilities

	2018 $'000	2017 $'000
(i) Current liabilities - other		
Statutory creditors	18,972	11,551
Unearned rent on M5 Motorway	513	513
Sydney Harbour Tunnel tax liabilities	4,525	2,153
Income received in advance	51,245	17,871
Holding accounts	162,216	155,711
Deferred revenue - reimbursement on private sector provided infrastructure	19,030	19,030
Priority list on moorings	487	457
Wetland security deposits*	1,524	1,676
Boating fees in advance**	33,619	34,617
Current liabilities - other	**292,131**	**243,579**
(ii) Non-current liabilities - other		
Unearned rent on M5 motorway	3,823	4,336
Sydney Harbour Tunnel tax liabilities	15,695	19,482
Income received in advance	68,851	70,293
Deferred revenue - reimbursement on private sector provided infrastructure	512,021	531,051
Boating fees in advance	34,227	26,959
Non-current liabilities - other	**634,617**	**652,121**

*This amount mainly represents cash deposits, in lieu of bank guarantees, received from the developer of King Street Wharf, as security over the completion of specific stages of the construction project.
**Boating fees in advance comprises prepayments by customers for licences, registrations and moorings for the service component which will be provided by NSW Maritime in the future.

Additional disclosures relating to specific items of Other Liabilities are detailed below:

Sydney Harbour Tunnel tax liabilities	2018 $'000	2017 $'000
Sydney Harbour Tunnel past tax liability	1,865	1,815
Sydney Harbour Tunnel future tax liability	2,660	338
Current	**4,525**	**2,153**
Sydney Harbour Tunnel past tax liability	5,069	6,513
Sydney Harbour Tunnel future tax liability	10,626	12,969
Non-current	**15,695**	**19,482**

Unearned rent and deferred revenue on motorways

The land acquisition loan of $22.0 million, based on the cost of land under the M5 Motorway originally purchased by RMS, was repaid in June 1997 by the concession holder. The repayment of the loan is considered to be a prepayment of the remaining rental over the period of the concession agreement. In accordance with AASB 117 *Leases*, this revenue is brought to account over the period of the lease.

In consideration for the concession holder undertaking construction of an interchange at Moorebank (M5 Motorway Improvements) on the M5 Motorway, the original concession period (to 14 August 2022) has been extended to 10 December 2026.

20. Other liabilities (continued)

	2018 $ '000	2017 $ '000
Rent earned in prior year	17,150	16,637
Rent earned in current year	513	513
Unearned rent as at year end (current and non-current)	4,337	4,850
Unearned rent	**22,000**	**22,000**

NSW Treasury has mandated the adoption of TPP 06–08 "Accounting for Privately Funded Projects" which requires revenue to be brought to account over the period of the concessions. Under the various Private Sector Provided Infrastructure, $369.9 million was received following the letting of the Lane Cove Tunnel, Cross City Tunnel and Western M7 Motorway contracts as reimbursement of development costs.

In addition, as a result of the signing of the NorthConnex agreement on 31 January 2015, RMS is to receive concession fees of $358.8 million in relation to the M7 Motorway and $200.0 million in relation to Lane Cove Tunnel (nominal values, refer to Note 13(a)). RMS have recorded the present value of these future cash flows as deferred revenue; reimbursement of development costs of $231.8 million (2017: $240.9 million) and the concession payments of $295.3 million (2017: $305.2 million). RMS will amortise the liability over the concession period. The amortisation and deferred revenue balances are shown in the table below.

Promissory notes are to be received in respect of M2 and Eastern Distributor. M2 promissory notes are redeemable in 2046 and Eastern Distributor promissory notes are redeemable in 2048. RMS have recorded the present value of these future cash flows of $3.9 million (2017: $4.0 million) as deferred revenue and will amortise the liability over the concession period. The amortisation and deferred revenue balances are shown in the table below.

	2018 $ '000	2017 $ '000
Amortisation of deferred revenue in prior years	129,018	119,961
Amortisation of deferred revenue in current year	9,057	9,057
Unearned reimbursement as at year end	231,841	240,898
Reimbursement of development costs for Lane Cove Tunnel, Gross City Tunnel and Western M7 Motorway	**369,916**	**369,916**
Amortisation of deferred revenue in prior years	23,774	13,936
Amortisation of deferred revenue in current year	9,838	9,838
Unearned reimbursement as at year end	295,341	305,179
Lane Cove Tunnel and M7 Motorway Concession Payments	**328,953**	**328,953**
Amortisation of deferred revenue in prior years	2,687	2,552
Amortisation of deferred revenue in current year	135	135
Unearned reimbursement as at year end	3,869	4,004
M2 and Eastern Distributor Promissory Notes	**6,691**	**6,691**
Total Unearned reimbursement as at year end	**531,051**	**550,081**
Classified as:		
Current	19,030	19,030
Non-current	512,021	531,051
Total	**531,051**	**550,081**

21. Increase in net assets from equity transfers

Transfer of net assets

	Notes	2018 $'000	2017 $'000
Net assets transferred were:			
Current assets			
Cash and cash equivalents		(8,708)	-
Non-current assets			
Land and buildings	12	(18,371)	43,065
Increase/(decrease) in net assets from equity transfer		**(27,079)**	**43,065**

Recognition and Measurement

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 are designated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 and Australian Interpretation 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities*.

Transfers arising from an administrative restructure between not-for-profit entities and for-profit government departments are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. 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, RMS recognises the asset at the transferor’s carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, RMS does not recognise that asset.

2018

Land valued at $14.2m was cleared for return to the Department of Planning and Environment having been scoped out of future construction works. In addition, $1.0m of land was transferred out to Office of Environment Heritage for compensatory habitat loss from construction and $3.1 million of administrative land and buildings were transferred out to Property New South Wales under Ministerial Order.

Cash totalling $8.7m was transferred to the Department of Finance, Services and Innovation (DFSI) as a result of an administrative order on 1 July 2017. Under the order, RMS’ administrative functions in relation to tow trucks were transferred from RMS to DFSI. The cash balance transferred was associated with those functions.

2017

Land valued at $46.7m was transferred from Sydney Harbour Foreshore Authority and RailCorp to RMS for WestConnex construction. This is offset by $1.3m of land transferred out to Office of Environment Heritage for compensatory habitat loss as a result of road widening work and $2.4 million of administrative land and buildings transferred out to Property New South Wales under Ministerial Order.

22. Commitments for expenditure

(a) Capital Commitments

Aggregate capital expenditure for the roadworks contracted for at balance date and not provided for:

	2018 $'000	2017 $'000
Within one year	1,554,456	2,739,197
Later than one year and not later than five years	1,716,809	704,005
Later than five years	-	151
Total (including GST)	**3,271,265**	**3,443,353**

(b) Operating lease commitments

Operating lease commitments relate to property, light and heavy motor vehicles and maritime. Operating lease commitments are not recognised in the financial statements as liabilities. Total operating lease commitments are as follows:

	2018 $'000	2017 $'000
Within one year	56,689	51,702
Later than one year and not later than five years	122,202	72,185
Later than five years	13,898	13,464
Total (including GST)	**192,789**	**137,351**

The property operating lease commitments are as follows:

	2018 $'000	2017 $'000
Within one year	31,686	27,826
Later than one year and not later than five years	82,001	41,684
Later than five years	9,701	12,535
Total (including GST)	**123,388**	**82,045**

In respect of property leases, RMS has various lessors with leases that have specific lease periods ranging from one year to 20 years.

The light motor vehicle operating lease commitments are as follows:

	2018 $'000	2017 $'000
Within one year	8,309	10,537
Later than one year and not later than five years	7,689	9,868
Total (including GST)	**15,998**	**20,405**

The light motor vehicle lease is managed by SG Fleet Group Limited, a private fleet leasing company selected under the Prequalification Scheme (Scheme) implemented by the Department of Finance, Services and Innovation. The lease is financed through a panel of six financing companies under the Scheme.

22. Commitments for expenditure (continued)

The heavy motor vehicle and heavy plant vehicle operating lease commitments are as follows:

	2018 $'000	2017 $'000
Within one year	16,694	13,339
Later than one year and not later than five years	32,512	20,633
Later than five years	4,197	929
Total (including GST)	**53,403**	**34,901**

The heavy motor vehicle lease is held and financed with Fleet Partners, SG Fleet Australia, Atlas Copco Australia, Capital Finance Australia and Kennard's Hire.

The total commitments detailed above include GST input tax credits of $314.9 million (2017: $325.5 million) that are expected to be recoverable from the Australian Taxation Office (ATO).

Future property operating lease rental incomes that are not recognised in the financial statements as receivables are as follows:

	2018 $'000	2017 $'000
Within one year	43,836	48,167
Later than one year and not later than five years	135,484	130,171
Later than five years	300,678	319,799
Total (including GST)	**479,998**	**498,137**

The total commitments detailed above include GST amount of $43.6 million (2017: $45.3 million) that are expected to be payable to the ATO.

(c) Sydney Harbour Tunnel – finance lease liability

	Notes	2018 $'000	2017 $'000
Future minimum lease payments under finance lease, together with the present value of the net minimum lease payments are, as follows:			
Within one year	30(g)	81,794	79,132
Later than one year and not later than five years	30(g)	277,613	344,046
Later than five years	30(g)	-	15,361
Minimum lease payments	30(g)	**359,407**	**438,539**
Less: future finance charges		(54,274)	(79,726)
Present value of minimum lease payments		**305,133**	**358,813**
The present value of finance lease commitments is as follows:			
Within one year		60,558	53,680
Later than one year and not later than five years		244,575	289,980
Later than five years		-	15,153
Present value of finance lease commitments		**305,133**	**358,813**
Classified as:			
Current	18(i)	60,558	53,680
Non-current	18(ii)	244,575	305,133
Total		**305,133**	**358,813**

22. Commitments for expenditure (continued)

In June 1987, RMS and Sydney Harbour Tunnel Corporation (SHTC) entered into an Ensured Revenue Stream (ERS) Agreement, whereby RMS agreed to make payments to SHTC to enable it to meet its financial obligations arising from the operation and maintenance of the tunnel and repayment of principal and interest on the funds it borrowed for the design and construction of the tunnel.

Following the guidelines set out in NSW Treasury Policy Paper 06–08 "Accounting for Privately Financed Projects", RMS has accounted for the Sydney Harbour Tunnel and related ERS Agreement as a finance lease arrangement in accordance with the requirements of AASB 117 *Leases*.

The carrying amount of the Sydney Harbour Tunnel finance lease liability has been calculated based on the present value of the minimum lease liability, discounted at the interest rate implicit in the ERS Agreement.

Contingent lease payments include increases in the ERS liability resulting from fluctuations in the weighted index component of the ERS Agreement (e.g. CPI fluctuations) and adjustments to the amount payable resulting from ERS clause 4.1(a) renegotiations such as GST on the tunnel tolls. Contingent lease payments are charged as expenses in the period they are incurred and amounted to $1.0 million for the year ending 30 June 2018 (2017: $2.4 million).

23. Contingent assets and contingent liabilities

There are several significant contractual disputes with an estimated total contingent liability of $1.8 million (2017: $25.1 million). There are a number of contractual claims that have arisen from the normal course of business after the balance date, relating to matters occurring during the financial year. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of the liability that may arise cannot be measured reliably at this time.

Compulsory property acquisition matters under litigation have an estimated contingent liability of $723.1 million (2017: $676.2 million). These amounts are net of Treasury Managed Fund (TMF) reimbursement.

RMS 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.

RMS has certain obligations under contracts with private sector parties with the performance of these obligations guaranteed by the State. The current guarantees outstanding are for the Sydney Harbour Tunnel, the M2 Motorway, the Eastern Distributor, the Cross City Tunnel, the Western Orbital, the Lane Cove Tunnel, NorthConnex and WestConnex. These guarantees are unlikely to ever be exercised.

24. Budget Review

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfers of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements are explained below.

24. Budget Review (continued)

Net result

The actual net surplus result was lower than budget by $1,178 million. These variances are mainly due to changes that occurred during the year as detailed in the table below.

	$'M
Net surplus result as per the Budget	4,498
Variance between budget and actuals comprises:	
Lower capital funding from TfNSW and external sources due to lower capital works spend	(1,135)
Higher than budgeted write-downs of land acquired for future roadworks	(163)
Higher than budgeted road and bridge assets transferred to councils	(129)
Lower than budgeted asset transfers from TfNSW, mainly from the B-Line project	(84)
Reclassification of capital works program from State Roads to Local Roads	(74)
Lower than budgeted NorthConnex contributions funding from TfNSW	(38)
Higher than budgeted Service NSW fee for service payments	(22)
Higher than budgeted non-cash amortisation expenses of IT and other assets	(24)
Higher than budgeted Bridges Rebuilding Program, mostly from additional Federal funding	(16)
Lower than budgeted skill hire expense	6
Lower than budgeted Boating NOW Local Council payments, re-profiled into future years	15
Higher than budgeted investment earnings in NSW Treasury and T-Corp investments from positive market performance, and insurance claims interest	13
Unbudgeted insurance claims revenue for the Hunter Expressway	24
Higher than budgeted capitalisation of maintenance works	28
Higher than budgeted Motor Vehicle Weight Tax collections	42
Unbudgeted infrastructure assets recognised for the first time	49
Lower than budgeted asset write-off	79
Lower than budgeted personnel services expense	86
Lower than budgeted depreciation expense, mainly due to the conditions-based assessment in the current year road and bridge assets comprehensive revaluation	164
Other budget variances	-
Net surplus result as per the Actuals	**3,319**

The employee and personnel service related expenses variance is explained below:

	$'M
Employee related and personnel service expenses as per the Budget	534
Skill hire expenses reclassified to Other Operating Expense	(35)
	499
Variance comprises:	
Lower than budgeted non-controllable non-cash actuarial adjustments for personnel service	(32)
Lower than budgeted employee numbers	(68)
Higher than budgeted redundancy expense	14
Total variance	(86)
Actual employee related and personnel service expenses after adjusting variances as per the financial statements	**413**

24. Budget Review (continued)

Assets and liabilities

Total current assets are higher than budget by $627 million largely due to higher cash and cash equivalents of $268 million from the grant funding of $128 million being fully drawn down as at 30 June 2018 and cash held to meet cash flow demands in July ($140 million). Current receivables were higher than budgeted by $228 million mainly due to higher than budgeted prepayment of contract works ($145 million), unbudgeted Natural Disaster funding receivable ($50 million), and recoverables from other state agencies for the Schofields project ($13 million). The re-classification of Lane Cove Tunnel concession fees receivable of $147 million to current has also contributed to the higher than budgeted total current assets, offset by lower than budgeted non-current asset held for sale of $24 million.

Total non-current assets are higher than budget by $3,512 million primarily due to unbudgeted revaluation increments of $5.0 billion as a result of the incorporation of condition assessment in the current year comprehensive revaluation of road and bridge assets. This is offset by the carry forward of $1.1b of capital work spend to the 2018-19 financial year.

Total liabilities are higher than budget by $459 million. This is largely due to higher than budgeted accrual activities ($169 million), compulsory acquisition activities ($143 million), prepaid E-tag and toll deposits ($24 million), development contributions for major projects ($36 million), and unbudgeted provision of $14m from environmental claims.

Cash flows
Actual cash position at 30 June 2018 shows $268 million favourable variance.

	$'M
Closing cash and cash equivalents as per the Budget	619
Variance comprises:	
Lower than budgeted cash flows used in investing activities mainly due to lower cash outlays on capital spending	830
Favourable opening cash position at the beginning of the year due to re-profiling of capital projects in the prior year	280
Lower than budgeted net cash inflows from operating activities mainly due to lower capital grants received due to capital re-profiling	(834)
Unbudgeted cash outflow from equity transfer	(8)
Closing cash and cash equivalents as per the Actuals	**887**

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

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Notes	2018 $'000	2017 $'000
Net cash inflows / (outflows) from operating activities		5,253,210	4,191,091
Depreciation and amortisation	2(d)	(1,632,294)	(1,638,951)
M2 and Eastern Distributor Promissory Notes	2(f),3(b)	5,000	(1,260)
Non-cash personnel services expense		(17,931)	(12,209)
Right to receive on PSPI	13(a)	253,337	233,412
Assets free of charge		77,567	88,151
Other non-cash items		111,847	105,660
Roads and bridges transferred from councils	12	-	869
Roads and bridges transferred to councils	2(e)	(199,364)	(40,678)
Net revaluation increment / (decrement) recognised in net result	5	(389,598)	(367,352)
Net gain / (loss) on sale of non-current assets held for sale	4	3,077	134,944
Increase/(decrease) in receivables		90,416	328,200
Increase/(decrease) in inventories		(914)	(682)
(Increase)/decrease in payables		(16,381)	(252,734)
(Increase) / decrease in provisions		(19,756)	641
Assets written off	5	(198,593)	(262,709)
Net gain / (loss) on sale of property, plant and equipment	4	(183)	(7,004)
Reconciliation to net result		**3,319,440**	**2,499,389**

26. Non-cash financing and investing activities

	Notes	2018 $'000	2017 $'000
M2 and Eastern Distributor promissory notes	2(f),3(b)	5,000	(1,260)
Roads transferred from councils	12	-	869
Roads transferred to councils	2(e)	(199,364)	(40,678)
Right to receive on PSPI	3(f)	253,337	233,412
Assets recognised for the first time	3(f)	49,345	34,014
Assets free of charge	25	77,567	88,151
Assets written off	5	(198,593)	(262,709)
Equity transfers	21	(18,371)	43,065
Resources received free of charge	3(f)	27,036	22,980
Net revaluation increment recognised in net result	6	(389,598)	(367,352)
Non-cash financing and investing activities		**(393,641)**	**(249,508)**

27. Administered income and expenses

	2018 $'000	2017 $'000
Transfer receipts		
Taxes, fees and fines	627,656	604,472
Stamp duty	835,064	826,277
Motor vehicle weight tax and fines	2,146,894	2,079,195
Other	58,915	55,034
Administered income	**3,668,529**	**3,564,978**
Administered income less expenses	**3,668,529**	**3,564,978**

Recognition and Measurement

RMS administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown Entity. Monies collected are not recognised as RMS' revenue but are separately disclosed in the Administered Income and Expenses note. RMS 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 Entity are recognised as RMS' expenses. The accrual basis of accounting and all applicable accounting standards have been adopted.

Roads and Maritime Services received Cabinet approval to establish a refund scheme and in-principle approval of approximately $42 million to enable Roads and Maritime Services to provide three years of refunds to affected customers where the legislated cap was not applied to their primary producer heavy vehicle registration charge. As the refund relates to the registration fee that RMS administers on behalf of the Crown, the impact is a decrease in the Administered Income in this note. An associated administered liability (current provision) has been reflected in the Administered Liability disclosure in Note 28 below.

28. Administered assets and liabilities

	2018 $'000	2017 $'000
Remitting account, cash in transit and cash on hand	37,979	33,683
Administered assets	**37,979**	**33,683**
Holding accounts (current liabilities-other)	37,979	33,683
Provision (current)	41,678	-
Other*	240,666	232,377
Administered liabilities	**320,323**	**266,060**

* The amount of multiple licence fees issued in the current year is approximately $147.8 million (2017: $144.2 million). The maximum period of licence is 10 years. First year licences are not deemed to be a liability. The outstanding liability above represents the remaining 9 years.

Recognition and Measurement

RMS administers, but does not control, the collection of various fees, fines and levies on behalf of the Crown Entity. Transactions and balances relating to the administered activities are not recognised as RMS' assets and liabilities, but are disclosed as "Administered Assets and Liabilities". 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).

Refer to Note 27 for further details of the current provision recognised in 2017-18.

29. Native title

The Commonwealth's legislation (*Native Title Act*) and the New South Wales statute (*Native Title (New South Wales) Act*) have financial implications for New South Wales Government agencies generally. RMS has undertaken an assessment of the impact of this legislation on its financial position as at 30 June 2018. This assessment indicates there were no Native Title Claims which had a financial impact during the financial year ending 30 June 2018 (2017: none).

30. Financial instruments

RMS' principal financial instruments are outlined below. These financial instruments arise directly from RMS' operations or are required to finance RMS' operations. RMS does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

RMS' main risks arising from financial instruments are outlined below, together with RMS' objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by RMS, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the entity on a continuous basis.

(a) Financial instrument categories

	Note	Category	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Financial assets				
Class:				
Cash and cash equivalents	8	N/A	886,839	748,652
Receivables[1]	9	Loans and receivables (at amortised cost)	346,189	416,679
Financial assets at fair value	10	At fair value through profit or loss designated upon initial recognition	111,565	104,857
Other financial assets	11	Loans and receivables (at amortised cost)	369,879	390,532
			1,714,472	**1,660,720**
Financial liabilities				
Class:				
Payables[2]	17,20	Financial liabilities measured at amortised cost	1,528,971	1,430,757
Borrowings	18	Financial liabilities measured at amortised cost	305,133	358,813
			1,834,104	**1,789,570**

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).

(b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised in the following circumstances when the contractual rights to the cash flows from the financial assets expire; or if RMS transfers the financial asset:
- Where substantially all the risks and rewards have been transferred.
- Where RMS has not transferred substantially all the risks and rewards, if the entity has not retained control.

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. When a lender replaces an existing financial liability with one on significantly different or modified terms, RMS derecognises the original liability and recognises the new liability. It then recognises the difference in their carrying amounts in the net result.

(c) 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. RMS' exposures to market risk are primarily through interest rate risk on borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. RMS has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the table below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which RMS 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 Statement of Financial Position date. The analysis is performed on the same basis as for 2017 and assumes that all other variables remain constant.

(i) Interest rate risk

Exposure to interest rate risk arises primarily through RMS' interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings.

RMS do not account for any fixed rate financial instruments at fair value through profit and loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/– one per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The impact on RMS' surplus/deficit and equity is set out in the table below assuming a 1 per cent change in variable interest rates.

		-1%		1%	
	Carrying amount 2018 $'000	**Surplus/Deficit 2018 $'000**	**Equity 2018 $'000**	**Surplus/Deficit 2018 $'000**	**Equity 2018 $'000**
Financial assets					
Cash and cash equivalents	369,284	(3,693)	(3,693)	3,693	3,693
Financial assets at fair value	111,565	(1,116)	(1,116)	1,116	1,116
Other financial assets	369,879	(3,699)	(3,699)	3,699	3,699
	850,728	**(8,508)**	**(8,508)**	**8,508**	**8,508**

		-1%		1%	
	Carrying amount 2017 $'000	**Surplus/Deficit 2017 $'000**	**Equity 2017 $'000**	**Surplus/Deficit 2017 $'000**	**Equity 2017 $'000**
Financial assets					
Cash and cash equivalents	333,878	(3,339)	(3,339)	3,339	3,339
Financial assets at fair value	104,857	(1,049)	(1,049)	1,049	1,049
Other financial assets	390,532	(3,905)	(3,905)	3,905	3,905
	829,267	**(8,293)**	**(8,293)**	**8,293**	**8,293**

30. Financial instruments (continued)

(ii) Other price risk – TCorp Hour-Glass facilities

Exposure to 'Other Price Risk' primarily arises through the investment in the TCorp Hour-Glass Investment facilities, which are held for strategic rather than trading purposes. RMS has no direct equity investments and holds units in the following Hour-Glass Investment Trusts:

Facility	Investment sectors	Investment horizon	2018 $ '000	2017 $ '000
Cash facility	Cash, money market instruments	up to 1.5 years	-	-
Strategic Cash facility	Cash, money market instruments, interest rate securities, bank floating rate notes	1.5 years to 3 years	-	-
Medium term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	3 years to 7 years	76,563	72,937
Long term growth facility	Cash, money market instruments, Australian and international bonds, listed property, and Australian shares	7 years and over	35,002	31,920

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

NSW TCorp is the trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

Facility	Change in unit price	2018 $ '000	2017 $ '000
Cash facility	+/- 1%	-	-
Strategic Cash facility	+/- 1%	-	-
Medium term growth facility	+/- 6%	4,594	4,376
Long term growth facility	+/- 15%	5,250	4,788

30. Financial instruments (continued)

(d) Credit risk

Credit risk arises when there is the possibility of RMS' debtors defaulting on their contractual obligations, resulting in a financial loss to RMS. 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 RMS, including cash, receivables and authority deposits. RMS does not hold any collateral and has not granted any financial guarantees.

Credit risk associated with RMS financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. RMS deposits held with NSW TCorp are guaranteed by the State.

		Banks $ '000	Government $ '000	Other $ '000	Total $ '000
2018	Cash and cash equivalents	886,598	-	241	886,839
	Receivables	-	126,481	219,708	346,189
	Other financial assets	-	-	369,879	369,879
	Financial assets at fair value	-	111,565	-	111,565
	Total financial assets	**886,598**	**238,046**	**589,828**	**1,714,472**
2017	Cash and cash equivalents	748,056	-	596	748,652
	Receivables	-	88,889	327,790	416,679
	Financial assets at fair value	-	104,857	-	104,857
	Other financial assets	-	-	390,532	390,532
	Total financial assets	**748,056**	**193,746**	**718,918**	**1,660,720**

(i) Cash and cash equivalents

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

(ii) Receivables – trade debtors

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

RMS is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2018: $33.2 million; 2017: $30.5 million) and past due (2018: $17.3 million; 2017: $13.5 million) are not considered impaired and together these represent 83.5 per cent (2017: 81.5 per cent) of the total trade debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.
The only financial assets that are past due or impaired are "sales of goods and services", "other" and "property debtors" in the "receivables" category of the Statement of Financial Position (refer to Note 9).

30. Financial instruments (continued)

		Past due but not impaired* $ '000	Considered impaired* $ '000	Total* $ '000
2018	< 3 months overdue	13,170	707	13,877
	3 months - 6 months overdue	836	599	1,435
	> 6 months overdue	3,249	8,638	11,887
2017	< 3 months overdue	9,814	485	10,299
	3 months - 6 months overdue	1,737	525	2,262
	> 6 months overdue	1,921	9,000	10,921

*Each column in the table reports “gross receivables”.

*The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 *Financial Instruments: Disclosures* and excludes receivables that are not past due and not impaired. Therefore, the “total” will not reconcile to the receivables total recognised in the Statement of Financial Position.

(iii) Other financial assets

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

(iv) RMS Deposits

RMS has placed funds on deposit with highly rated financial institutions. These deposits are similar to money market or bank deposits and can be placed “at call” or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.58 per cent (2017: 2.97 per cent), while over the year the weighted average interest rate was 2.54 per cent (2017: 3.07 per cent) on a weighted average balance during the year of $488.1 million (2017: $406.8 million). None of these assets are past due or impaired.

30. Financial instruments (continued)

(e) Fair value

Financial instruments are generally recognised at amortised cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on RMS' share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using "redemption" pricing.

The future cash flows of the promissory notes and concession payments are valued at amortised cost, using their effective interest rates.

The fair value of the Lane Cove Tunnel concession payments is $149.3 million (2017: $187.7 million) which differs from the carrying amount of $146.9 million (2017: $183.1 million) (refer to Note 11) and is determined using effective interest rate 5.63 per cent (2017: 5.63 per cent).

The fair values of the M2 Motorway and Eastern Distributor promissory notes are $111.5 million (2017: $75.9 million) which differs from their carrying amount of $57.5 million (2017: $52.5 million) (refer to Note 11). The M2 Motorway promissory notes are determined using effective interest rate of 10.61 per cent (2017: 10.61 per cent) and Eastern Distributor promissory notes at 10.39 per cent (2017: 10.39 per cent).

The interest rates sensitivity analysis for these future cash flows are disclosed in Note 30(c)(i).

(f) Fair value recognised in statement of financial position

RMS 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).

	Level 1 2018 $'000	Level 2 2018 $'000	Level 3 2018 $'000	Total 2018 $'000
Financial assets at fair value				
TCorp Hour-Glass Investment Facilities	-	111,565	-	**111,565**
	-	**111,565**	**-**	**111,565**

	Level 1 2017 $'000	Level 2 2017 $'000	Level 3 2017 $'000	Total 2017 $'000
Financial assets at fair value				
TCorp Hour-Glass Investment Facilities	-	104,857	-	104,857
	-	**104,857**	**-**	**104,857**

The table above only includes financial assets, as no financial liabilities were measured at fair value in the Statement of Financial Position. There were no transfers between level 1 and 2 during the year ended 30 June 2018 (2017: none).

30. Financial instruments (continued)

(g) Liquidity risk

RMS manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows.

Liquidity risk is the risk that RMS will be unable to meet its payment obligations when they fall due. RMS 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.

Until 30 June 2018, RMS had a Come and Go Facility with TCorp valued at $110 million for cash management purposes. This year the facility was not used to fund shortfalls, incurring a total interest charge of zero. The facility has not been renewed going forward. Instead, Treasury's cash management reforms allow RMS to access an emergency cash injection to fulfil funding requirements under any extreme situations.

Financing arrangements

	2018 $ '000	2017 $ '000
Unrestricted access was available at the Statement of Financial Position date to the come and go facility	-	-
Total facility	110,000	110,000
Used at Statement of Financial Position date	-	-
Unused at Statement of Financial Position date	**110,000**	**110,000**

During the current and prior years, there were no defaults on any loans payable. No assets have been pledged as collateral. RMS' 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 TC 11/12 "Payment of Accounts". For small business suppliers, where terms are not specified, payment is made not later than 30 days from the date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. The average rate of interest applied during the year was 9.7% (2017: 9.8%).

30. Financial instruments (continued)

(g) Liquidity risk (cont'd)

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

Maturity analysis and interest rate exposure of financial liabilities

				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
2018	**Payables**								
	Trade creditors	-	108,790	-	-	108,790	108,790	-	-
	Accrued expenses	-	822,764	-	-	822,764	822,764	-	-
	Other payables	-	337,684	-	-	337,684	333,873	3,811	-
	Personnel services	-	77,298	-	-	77,298	71,949	5,349	-
	Sydney Harbour Tunnel tax liability	-	21,748	-	-	21,748	4,526	16,557	665
	Holding accounts	-	162,216	-	-	162,216	162,216	-	-
	Borrowings								
	Finance leases	7.70	359,407	359,407	-	-	81,794	277,613	-
2017	**Payables**								
	Trade creditors	-	169,350	-	-	169,350	169,350	-	-
	Accrued expenses	-	803,318	-	-	803,318	803,318	-	-
	Other payables	-	211,318	-	-	211,318	203,695	7,623	-
	Personnel services	-	69,425	-	-	69,425	61,956	7,469	-
	Sydney Harbour Tunnel tax liability	-	23,563	-	-	23,563	4,475	18,422	666
	Holding accounts	-	155,711	-	-	155,711	155,711	-	-
	Borrowings								
	Finance leases	7.70	438,539	438,539	-	-	79,132	344,046	15,361

*The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore will not reconcile to the Statement of Position.

31. Related Party Disclosures

(a) Key Management Personnel Compensation

During the year, RMS incurred $4.4 million (2017: $3.9 million) in respect of the key management personnel services that are provided by Transport Service NSW. The amount incurred excludes long service leave and defined benefit superannuation scheme benefits assumed by the Crown Entity in accordance with NSWTC 16-12 Related party disclosures.

(b) Key management personnel transactions, outstanding balances or commitments with the reporting entity and its parent during the financial year

Key management personnel did not have material transactions, outstanding balances or commitments with RMS or its parent during the financial year.

(c) Transactions with Government Related Entities during the financial year

During the 2017-18 financial year, RMS entered into the following transactions with other NSW government agencies. Senior Management considers these within the normal course of business and, in addition to the details on these transactions provided in previous notes, makes the following qualitative disclosure:

- Transport for NSW (TfNSW - RMS' parent entity) - Grants revenue and recoupment/repayment of costs incurred by RMS/TfNSW on behalf of TfNSW/RMS.
- Transport Shared Services - charges for personnel services, finance, human resources, and information technology services, as well as personnel services revenue for seconded staff to other NSW government agencies.
- Sydney Motorway Corporation (SMC) - WestConnex development cost delivered and recorded as a Prepayment against the PSPI.
- Property NSW and Place Management NSW - Property rental payment.
- Port Authority of NSW - Channel fees received.
- Insurance for NSW - Insurance payment to and hindsight adjustment received from the Treasury Managed Fund (TMF).
- NSW Treasury Corporation - Investment in T-Corp Hourglass facilities and investment revenue earned from these facilities.
- Crown Finance Entity - Interest revenue earned from the Treasury Banking System.
- Service NSW – Front-line service delivery fees.
- Various agencies (Including Department of Planning and Environment, Office of Environment and Heritage and Property NSW) – Transfers of land to/from RMS
- Department of Finance, Services and Innovation – Outward transfer of Tow Trucks administration function including cash balance as well as various licensing fees received.
- Various agencies (including Sydney Trains, Department of Planning and Environment and the Department of Justice) - Grants and contributions received.
- Various agencies (including Sydney Water, Infrastructure NSW and UrbanGrowth NSW Development Corporation) - Professional services and external works provided/received.

32. Events after the reporting period

No events have occurred after the reporting date that would have a material impact on the financial statements.

End of Audited Financial Statements

Roads and Maritime Services
Locked Bag 928
North Sydney NSW 2059
rms.nsw.gov.au

RMS 18.1058
ISSN: 2201-1250