Roads and Maritime Services

Annual Report

Volume 2

18

19

NSW GOVERNMENT

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 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of RMS as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

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

I am independent of 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

RMS's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The 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 2019'.

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 the 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.

Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

12 September 2019
SYDNEY

Roads and Maritime Services

Annual Financial Statements

for the year ended 30 June 2019

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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 2019 and financial performance for the year ended 30 June 2019

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.

Fiona Trussell

A/Chief Executive

11 September 2019

Sandra Roocke

A/Chief Financial Officer

11 September 2019

Roads and Maritime Services
Statement of comprehensive income
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Expenses excluding losses				
Operating expenses				
- Personnel services expenses	2(a)	485,100	536,155	413,258
- Other operating expenses	2(b)	1,407,452	1,494,975	1,427,814
Depreciation and amortisation	2(d)	1,578,897	1,818,706	1,632,294
Grants and subsidies	2(e)	527,120	557,996	683,273
Finance costs	2(f)	21,732	21,236	25,635
Total expenses excluding losses		**4,020,301**	**4,429,068**	**4,182,274**
Revenue				
Sale of goods and services	3(a)	663,465	563,504	690,683
Personnel service revenue		485	-	1,778
Investment revenue	3(b)	36,224	23,345	40,788
Retained taxes, fees and fines	3(c)	71,601	57,990	71,814
Operating grant received from Transport for NSW (TfNSW)	3(d)	1,692,098	1,820,001	1,568,356
Capital grant received from TfNSW	3(d)	4,372,754	4,057,212	4,304,181
Other grants and contributions	3(e)	1,860,467	1,168,493	1,021,716
Other income	3(f)	389,807	389,219	394,464
Total revenue		**9,086,901**	**8,079,764**	**8,093,780**
Gain/(losses) on disposal of property, plant and equipment	4	(1,662)	3,149	2,894
Impairment losses in financial assets		(490)	-	-
Other gains/(losses)	5	(639,008)	(219,521)	(594,960)
Net result		**4,425,440**	**3,434,324**	**3,319,440**
Other comprehensive income				
Items that will not be reclassified to net result				
Net increase/(decrease) in property, plant and equipment revaluation surplus	12	3,683,640	2,173,003	7,665,386
Total other comprehensive income for the year		**3,683,640**	**2,173,003**	**7,665,386**
Total comprehensive income for the year		**8,109,080**	**5,607,327**	**10,984,826**

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Statement of financial position
as at 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
ASSETS				
Current assets				
Cash and cash equivalents	8	1,021,552	581,601	886,839
Receivables	9	683,096	317,785	580,309
Inventories		5,047	6,341	4,762
Financial assets at fair value	10	119,615	114,504	111,565
Other financial assets (at amortised cost)	11	-	36,957	146,887
		1,829,310	**1,057,188**	**1,730,362**
Non-current assets classified as Held for Sale	14	303	25,000	1,121
Total current assets		**1,829,613**	**1,082,188**	**1,731,483**
Non-current assets				
Receivables	9	1,961,958	1,560,816	1,426,816
Other financial assets (at amortised cost)	11	236,021	240,161	222,992
Property plant & equipment				
- Land and buildings	12(a)	3,500,732	3,797,124	3,660,886
- Plant and equipment	12(b)	109,678	109,993	105,371
- Infrastructure systems	12(c)	95,551,289	93,918,343	88,383,377
Total property, plant and equipment		**99,161,699**	**97,825,460**	**92,149,634**
Private sector provided infrastructure	13(a)	2,338,653	2,354,404	2,075,417
Intangible assets	13(b)	228,114	161,441	153,796
Total non-current assets		**103,926,445**	**102,142,282**	**96,028,655**
Total assets		**105,756,058**	**103,224,470**	**97,760,138**
LIABILITIES				
Current liabilities				
Payables	17	1,269,091	827,709	1,337,375
Borrowings	18	68,059	68,059	60,558
Provisions	19	37,233	7,338	16,500
Other	20	264,648	209,744	292,131
Total current liabilities		**1,639,031**	**1,112,850**	**1,706,564**
Non-current liabilities				
Payables	17	5,229	7,106	9,160
Borrowings	18	176,516	176,516	244,575
Provisions	19	60,227	11,120	26,103
Other	20	628,251	617,229	634,617
Total non-current liabilities		**870,223**	**811,971**	**914,455**
Total liabilities		**2,509,254**	**1,924,821**	**2,621,019**
Net assets		**103,246,804**	**101,299,649**	**95,139,119**
EQUITY				
Accumulated funds		79,974,748	78,835,464	75,493,532
Reserves		23,272,056	22,464,185	19,645,587
Total equity		**103,246,804**	**101,299,649**	**95,139,119**

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Statement of changes in equity
for the year ended 30 June 2019

	Notes	Accumulated funds $ '000	Asset revaluation surplus $ '000	Total equity $ '000
Balance at 1 July 2018		**75,493,532**	**19,645,587**	**95,139,119**
Changes in accounting Policy	9	2,110	-	2,110
Restated balance at 1 July 2018		**75,495,642**	**19,645,587**	**95,141,229**
Net result for the year		**4,425,440**	**-**	**4,425,440**
Other comprehensive income				
Net increase/(decrease) in property, plant and equipment revaluation surplus	12	-	3,683,640	3,683,640
Total other comprehensive income for the year		**-**	**3,683,640**	**3,683,640**
Total comprehensive income for the year		**4,425,440**	**3,683,640**	**8,109,080**
Transfers within equity				
Asset revaluation reserve balance transferred to accumulated funds on disposal of assets		57,171	(57,171)	-
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	21	(3,505)	-	(3,505)
Balance at 30 June 2019		**79,974,748**	**23,272,056**	**103,246,804**
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	-	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**

The accompanying notes form part of these financial statements.

Roads and Maritime Services
Statement of cash flows
for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Budget 2019 $'000	Actual 2018 $'000
Cash flows from operating activities				
Payments				
Personnel services and employee related		(437,288)	(518,787)	(387,476)
Grants and subsidies		(494,190)	(443,396)	(483,910)
Finance costs		(21,388)	(21,236)	(25,583)
Other		(2,286,226)	(2,328,374)	(2,122,898)
Total payments		**(3,239,092)**	**(3,311,793)**	**(3,019,867)**
Receipts				
Sale of goods and services		884,300	544,672	790,675
Retained taxes, fees and fines		71,601	-	71,813
Interest received		6,253	13,171	9,509
Other grants and contributions		1,832,534	1,168,493	1,021,717
Other		595,771	627,852	584,392
Operating grants received from TfNSW		1,692,098	1,820,001	1,568,357
Capital grants received from TfNSW		4,249,120	3,929,815	4,226,614
Total receipts		**9,331,677**	**8,104,004**	**8,273,077**
Net cash flows from operating activities	25	**6,092,585**	**4,792,211**	**5,253,210**
Cash flows from investing activities				
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		111,303	110,341	114,949
Purchases of land and buildings, plant and equipment and infrastructure systems		(6,163,617)	(4,991,767)	(5,212,584)
Proceeds from other financial assets		155,000	155,466	45,000
Net cash flows from investing activities		**(5,897,314)**	**(4,725,960)**	**(5,052,635)**
Cash flows from financing activities				
Payment of finance lease liabilities	18	(60,558)	(63,875)	(53,680)
Net cash flows from financing activities		**(60,558)**	**(63,875)**	**(53,680)**
Net increase / (decrease) in cash		**134,713**	**2,376**	**146,895**
Opening cash and cash equivalents	8	886,839	591,290	748,652
Cash and cash equivalents transferred (out)/in as a result of administrative restructure	21	-	-	(8,708)
Reclassification of cash equivalents		-	(12,065)	-
Closing cash and cash equivalents	8	**1,021,552**	**581,601**	**886,839**

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 2019 have been authorised for issue by the Acting Chief Executive of RMS on 11 September 2019, 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 (the Act)* and *Public Finance and Audit Regulation 2015* and
- Treasurer's Directions issued under the Act.

Fair value
Property, plant and equipment, investment property, assets (or disposal groups) held for sale, and certain financial assets and liabilities 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(l) 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.

Going concern
On 1 April 2019, the Secretary of the Department of Premier and Cabinet announced that RMS will cease operating as a standalone agency within the Transport Cluster. The functions of RMS will be combined within new divisions within Transport for NSW

On the expected dissolution date, RMS's assets, rights and liabilities will be transferred to Transport for NSW and will be used, recovered or settled in the normal course of business by Transport for NSW. At the date these financial statements have been authorised to be issued, the expected dissolution date is not known.

Therefore, the financial statements of RMS have been prepared on a going concern basis.

(c) Statement of compliance

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

1. Summary of significant accounting policies (Continued)

(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.

(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) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

1. Summary of significant accounting policies (Continued)

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

(i) Effective for the first time in 2018-19

The accounting policies applied in 2018-19 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. 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 2018-19 financial statements
AASB 9 *Financial Instruments*	RMS has adopted AASB 9 which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; and impairment of financial assets. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures* (AASB 7R). <u>Classification and measurement of financial instruments</u> AASB 9 replaces the former four categories in measuring financial assets after initial recognition to two categories – amortised cost or fair value (either through profit or loss, or other comprehensive income). Under AASB 9, subsequent measurement of debt financial assets is based on assessing the contractual cash flow characteristics of the debt instrument and the entity's business model for managing the instrument. <u>Impairment of financial assets</u> The adoption of AASB 9 has changed RMS's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires RMS to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.	RMS has applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB *139 Financial Instruments: Recognition and Measurement* (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity. <u>Classification and measurement of financial instruments</u> The classification and measurement requirements of AASB 9 did not have a significant impact to RMS. Financial assets previously measured at fair value under AASB 139 continue to be measured at fair value under AASB 9. Financial assets previously measured under amortised cost under AASB 139 continue to be measured at amortised cost under AASB 9. The assessment of the RMS's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. <u>Impairment of financial assets</u> The difference arising from adopting AASB 9 is $2.1 million which has been adjusted in the opening accumulated funds balance.

1. Summary of significant accounting policies (Continued)

(ii) Issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods.

- AASB 15 *Revenue from Contracts with Customers*, AASB 2014-5 *Amendments to Australian Accounting Standards* arising from AASB 15 and AASB 1058 *Income of Not-for-Profits*
  - AASB 15 *Revenue from Contracts with Customers* (AASB 15) is effective for reporting periods commencing on or after 1 January 2019. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which RMS expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 *Revenue* (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.
  - AASB 1058 *Income of Not-for-Profits* (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 *Contributions* (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, RMS will need to determine whether a transaction is consideration received below fair value principally to enable RMS to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).
  - The standards will result in the identification of separate performance obligations that will change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies. The adoption of these standards will primarily result in the recognition of increased liabilities reported on the Statement of Financial Position, predominately consisting of contract liabilities.
  - Under AASB 1058, RMS will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by RMS.
  - RMS will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.
  - Based on the impact assessments RMS has undertaken on currently available information, RMS estimates that the adoption of AASB 15 and AASB 1058 will result in the recognition of contractual assets (receivable) of $64 million, with a corresponding increase in accumulated funds.
- AASB 16 *Leases*
  - AASB 16 *Leases* (AASB 16) is effective from reporting periods commencing on or after 1 January 2019.
  - For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance. Existing finance leases are not expected to be significantly impacted from the transition to AASB 16.
  - The accounting for lessors under AASB 16 will not significantly change. RMS will however review the classification of sub-leases in which RMS is a lessor. Finance lease receivables will be recognised for sub-leases reclassified as finance leases.
  - RMS will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. RMS will also adopt the practical expedient whereby the fair value of the right-of use asset will be the same as the lease liability at 1 July 2019.

1. Summary of significant accounting policies (Continued)

- Based on the impact assessments RMS has undertaken on currently available information, RMS estimates additional lease liabilities and right-of-use-assets of $193.5 million will be recognised as at 1 July 2019 for leases in which RMS is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the statement of comprehensive income is not expected to be material.

- AASB 1059 *Service Concession Arrangements: Grantors,*
  - AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) is effective from reporting periods commencing on or after 1 January 2020.
  - 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 AASB 116 or AASB 138;
    - d) recognise a corresponding liability measured initially at the fair value.
  - Currently, under TPP 06-8 Accounting for Privately Financed Projects, RMS records an increase in emerging asset and revenue until the end of the concession period at which point the assets revert back to RMS.
  - From 1 July 2020 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 and is anticipated to be material.

(h) Personnel services income

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

1. Summary of significant accounting policies (Continued)

(i) 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.

(j) 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.

(ii) Accumulated Funds

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

(k) Changes in accounting estimates

Useful lives were revised in the 2019 comprehensive revaluation of traffic signal and traffic control network assets to better reflect the assets' effective lives. In some cases, the remaining useful lives were extended for some asset components. The external valuer engaged for the revaluation considered obsolescence in the valuation approach and has further componentised assets into technical and structural components where possible, and applied separate useful lives.

The change in the useful life assumptions is recognised as change in estimates and recognised prospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Management's estimate is that this has resulted in a decrease in depreciation expense of approximately $1 million for the year ended 30 June 2019 and a decrease in expected depreciation in 2019-20 by approximately $4 million.

1. Summary of significant accounting policies (Continued)

(l) 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
Contingent assets and contingent liabilities	Note 23

2. Expenses excluding losses

(a) Personnel services expenses

	2019 $'000	2018 $'000
Personnel services expenses comprise the following specific items:		
Salaries and wages (including annual leave)	370,730	326,344
Superannuation - defined benefit plans	8,462	8,179
Superannuation - defined contribution plans	30,623	28,029
Long service leave	38,492	9,268
Payroll tax and fringe benefits tax	25,328	23,703
Redundancy payments	6,606	14,718
Workers' compensation insurance	4,859	3,017
Personnel services expenses	**485,100**	**413,258**
Allocations of personnel service costs to programs:		
- Capitalised to infrastructure	298,868	296,258
- Operating programs (including maintenance costs)	485,100	413,258
	783,968	**709,516**

Note 12 details the nature of personnel services capitalised.

Included in the above are personnel services expenses of $123.7 million (2018: $94.0 million) related to maintenance.

2. Expenses excluding losses (continued)

(b) Other operating expenses

	2019 $'000	2018 $'000
Auditor's remuneration - audit of financial statements	804	784
Advertising	2,895	3,700
Maintenance	346,715	352,604
Contract payments	97,181	144,030
Data processing	63,971	56,664
Contingent rent	796	1,036
Fleet hire and lease charges	40,460	48,605
Lease and property expenses	36,098	42,231
M5 Cashback refund	118,159	114,208
Office expenses	43,285	47,937
Payments to councils and external bodies	22,049	30,037
Special number plates concession fees	27,406	27,045
Sydney Harbour Tunnel operating fees	33,871	32,882
Travel, insurance and legal expenses	42,529	40,972
Consultants and other contractors	185,623	143,546
Other	68,352	43,446
Share services charges	277,258	298,087
Other operating expenses	**1,407,452**	**1,427,814**

Recognition and Measurement

Shared 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.

Maintenance expenses
A reclassification of prior year expenses in relation to maintenance occurred in the current year to align expenses with their nature. $71.5 million of maintenance expense have been reclassified to other operating expenses in the comparative. This reclassification was primarily to fleet hire, lease, and property expenses as well as shared services and office expenses. The maintenance disclosure in Note 2(c) has been updated to reflect this.

2. Expenses excluding losses (continued)

(c) Reconciliation of total maintenance

	Notes	2019 $000	2018 $000
Operational maintenance in note 2(b)		346,715	352,604
Corporate services, information technology and telecommunication expenses		27,815	23,229
Operating lease rental expenses		38,868	33,131
Payments to councils and external bodies for state road works		1,002	616
Other		5,884	14,513
Maintenance expense in other operating expenses		**420,284**	**424,093**
Maintenance related to personnel services expenses in note 2(a)		123,688	93,951
Total maintenance expense including personnel services related		**543,972**	**518,044**
Maintenance grants to councils for local road works in Note 2(e)		289,085	312,927
Capitalised maintenance		535,509	745,351
Total maintenance program		**1,368,566**	**1,576,322**

Recognition and Measurement

Major reconstruction costs for road segments on State roads are capitalised and as such not charged against maintenance expenditure. RMS capitalised $535.5 million (2018: $745.4 million) of such works during the year.

(d) Depreciation and amortisation

	Notes	2019 $'000	2018 $'000
Depreciation of operational and property assets		32,429	35,511
Depreciation of infrastructure assets		1,509,722	1,559,423
Depreciation of property, plant and equipment	12	**1,542,151**	**1,594,934**
Amortisation of intangible assets	13(b)	36,746	37,360
Depreciation and amortisation		**1,578,897**	**1,632,294**

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

2. Expenses excluding losses (continued)

(e) Grants and subsidies

	Notes	2019 $'000	2018 $'000
Grants to councils		467,626	418,127
Roads and bridges transferred to councils	12(c)	32,931	199,364
Other grants and subsidies		25,862	23,082
Contribution to National Heavy Vehicle Regulator		701	42,700
Grants and subsidies		**527,120**	**683,273**

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 $467.6 million (2018: $418.1 million) in Grants to Councils, RMS expensed $76.7 million in the year ended 30 June 2019 (2018: $91.5 million) on natural disaster restoration works from State funds, and $287.3 million in the year ended 30 June 2019 (2018: $249.7 million) on block grants and other maintenance grants to councils for regional and local roads.

In 2018-19 the arrangement for collection of the regulatory fee in association with the National Heavy Vehicle Regulator changed. RMS now remits all Heavy Vehicle regulatory fees to the National Heavy Vehicle Regulator. Refer to Note 27.

(f) Finance costs

	2019 $'000	2018 $'000
Finance lease interest charges	21,236	25,452
Other	496	183
Finance costs	**21,732**	**25,635**

Recognition and Measurement
Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW GGS entities.

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

	2019 $'000	2018 $'000
Sale of goods		
Number plates	149,433	148,628
Publications	7,660	9,115
Rendering of services		
Advertising	16,852	17,357
Boat licenses	24,832	27,682
Boat registrations	25,944	24,934
Channel fees	9,840	8,986
Fees for services	72,390	116,705
Heavy vehicle permit fees	685	812
Miscellaneous services	15,389	12,854
Moorings	9,169	8,837
General maritime revenue	257	2,700
Rental income	64,893	59,313
Third party insurance data access charges	4,539	5,183
Toll and tag revenue	157,809	165,585
Works and services	103,773	81,992
Sale of goods and services	**663,465**	**690,683**

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

	2019 $'000	2018 $'000
Interest	15,146	18,548
Amortisation of zero interest Sydney Harbour Tunnel loan	11,247	10,532
Net gain / (loss) from TCorp IM Funds designated at fair value through profit or loss	8,049	6,708
M2 and Eastern Distributor promissory notes	1,782	5,000
Investment revenue	**36,224**	**40,788**

Recognition and Measurement

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

(c) Retained taxes, fees and fines

	2019 $'000	2018 $'000
Sanction fees payable under the Fines Act	14,272	15,312
National Heavy Vehicle Regulator charges	57,329	56,502
Retained taxes, fees and fines	**71,601**	**71,814**

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

3. Revenue (continued)

(d) Grants from Transport for NSW (TfNSW)

	2019 $'000	2018 $'000
Operating grant		
Grant to fund general operations including maintenance	1,692,098	1,568,356
Capital grant		
Grants to fund investment in infrastructure network development	4,372,754	4,304,181
Grants from Transport for NSW (TfNSW)	**6,064,852**	**5,872,537**

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 $4,372.8 million capital grant above, $1,228.2 million relates to federal funding (2018: $2,014.9 million of $4,304.2 million). The equivalent figure for the federal recurrent grant is $165.6 million (2018: $198.9 million). Federal funding is appropriated to TfNSW through NSW Treasury.

(e) Other grants and contributions

	2019 $'000	2018 $'000
NSW Government agencies		
- TfNSW	1,674,596	894,800
- Other	120,303	116,524
Local government	45,818	2,026
Other government agencies	13,727	-
Private firms and individuals	6,023	8,366
Other grants and contributions	**1,860,467**	**1,021,716**

Recognition and Measurement

Contributions received during the year ended 30 June 2019 were recognised as revenue during the period. Contributions are recognised at their fair value.

3. Revenue (continued)

(f) Other income

	Notes	2019 $'000	2018 $'000
Value of emerging interest of Private Sector Provided Infrastructure (PSPI)			
- M2 Motorway/M2 Widening	13(a)	37,298	40,318
- M4 Motorway Service Centre	13(a)	-	1,010
- M4 Motorway/M4 Widening	13(a)	6,290	7,060
- M5 South-West Motorway	13(a)	49,786	44,434
- Eastern Distributor	13(a)	23,730	22,269
- Cross City Tunnel	13(a)	32,522	30,832
- Westlink M7 Motorway	13(a)	70,447	66,705
- Lane Cove Tunnel	13(a)	43,163	40,709
Amortisation of deferred revenue on PSPI projects		19,032	19,030
Principal arranged insurance refund		8,503	25,407
Recognition of operational and property assets		9,051	1,294
Recognition of infrastructure assets	12(c)	2,036	49,345
Other boating fees		1,802	1,525
Resources received free of charge	26	59,314	27,036
Other (including professional services revenue)		26,833	17,490
Other income		**389,807**	**394,464**

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	2019 $'000	2018 $'000
Net gain/(loss) on sale of property, plant and equipment			
Proceeds from sale		1,945	3,079
Carrying amount of assets sold	12	(3,231)	(2,825)
Net gain/(loss) on sale of property, plant and equipment		**(1,286)**	**254**
Net gain/(loss) on disposal of intangible assets			
Carrying amount of assets disposed	13(b)	(223)	(437)
Net gain/(loss) on disposal of intangible assets		**(223)**	**(437)**
Net gain / (loss) on sale of property, plant and equipment and Intangibles		**(1,509)**	**(183)**
Net gain/(loss) on sale of non-current assets held for sale			
Proceeds from sales		37,293	23,767
Carrying amount of assets sold	14	(37,446)	(20,690)
Net gain/(loss) on sale of non-current assets held for sale		**(153)**	**3,077**
Net gain/(loss) on disposal		**(1,662)**	**2,894**

5. Other gains/(losses)

	Notes	2019 $'000	2018 $'000
Impairment losses on financial assets	9	-	(6,769)
Carrying amount of Infrastructure assets written off	6	(216,006)	(198,593)
Net revaluation increment/(decrement) recognised in net result	6	(423,002)	(389,598)
Other gains/(losses)		**(639,008)**	**(594,960)**

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	2019 $'000	2018 $'000
Carrying amount of Infrastructure assets written off	5 and 12(c)	**216,006**	**198,593**

The following infrastructure assets were written off in the periods ended 30 June 2019 and 30 June 2018:

	Carrying value 2019 $'000	Replacement costs 2019 $'000	Accumulated depreciation 2019 $'000	Carrying value 2018 $'000	Replacement costs 2018 $'000	Accumulated depreciation 2018 $'000
Roads	163,835	385,599	(221,764)	96,563	159,203	(62,640)
Bridges	4,226	8,889	(4,663)	13,447	31,795	(18,348)
Maritime assets	1,398	3,535	(2,137)	1,268	2,373	(1,105)
Work in progress	29,308	29,308	-	82,613	82,613	-
Traffic signals network	2,045	9,650	(7,605)	212	901	(689)
Traffic controls network	15,194	32,503	(17,309)	4,490	14,928	(10,438)
Infrastructure assets written off	**216,006**	**469,484**	**(253,478)**	**198,593**	**291,813**	**(93,220)**

	Notes	2019 $'000	2018 $'000
Net revaluation increment/(decrement) recognised in net result	5 and 12	**(423,002)**	**(389,598)**

The following land & buildings and infrastructure assets were written down and/ or written back through the net result in the year ended 30 June 2019:

	Notes	Carrying value 2019 $'000	Carrying value 2018 $'000
Traffic signals network		69,226	1,470
Infrastructure systems	12(c)	**69,226**	**1,470**
Land and buildings acquired for future roadworks		(492,228)	(391,068)
Land & buildings	12(a)	**(492,228)**	**(391,068)**
Land & buildings and infrastructure assets (written down)/written back		**(423,002)**	**(389,598)**

7. Program Group Statements for the year ended 30 June 2019

Roads and Maritime Services expenses and income

	Safe & Reliable Transport		Accessible Transport		Future Ready Transport		Successful Places		Not attributable		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Expenses excluding losses												
Operating expenses												
- Personnel services expenses	401,006	341,502	70,160	59,646	-	-	13,934	12,110	-	-	485,100	413,258
- Other operating expenses	892,224	915,993	491,104	479,732	-	-	24,124	32,089	-	-	1,407,452	1,427,814
Depreciation and amortisation	1,555,386	1,610,574	22,488	19,585	-	-	1,023	2,135	-	-	1,578,897	1,632,294
Grants and subsidies	485,431	464,667	8,639	17,669	32,998	199,364	52	1,573	-	-	527,120	683,273
Finance costs	21,690	25,611	37	19	-	-	5	5	-	-	21,732	25,635
Total expenses excluding losses	**3,355,737**	**3,358,347**	**592,428**	**576,651**	**32,998**	**199,364**	**39,138**	**47,912**	**-**	**-**	**4,020,301**	**4,182,274**
Revenue												
Sale of goods and services	325,481	310,168	256,578	304,045	-	-	81,406	76,470	-	-	663,465	690,683
Personnel service revenue	401	1,469	70	257	-	-	14	52	-	-	485	1,778
Investment revenue	21,143	24,347	8,049	6,708	-	-	7,032	9,733	-	-	36,224	40,788
Retained taxes, fees and fines	71,601	71,814	-	-	-	-	-	-	-	-	71,601	71,814
Operating grant received from Transport for NSW (TfNSW)	1,537,610	1,363,544	119,729	159,746	-	-	34,759	45,066	-	-	1,692,098	1,568,356
Capital grant received from TfNSW	957,028	775,871	21,146	20,348	3,394,580	3,507,962	-	-	-	-	4,372,754	4,304,181
Other grants and contributions	659,271	342,799	12,257	8,640	1,188,881	670,174	58	103	-	-	1,860,467	1,021,716
Other revenue	364,282	338,210	15,157	10,887	8,156	43,347	2,212	2,020	-	-	389,807	394,464
Total revenue	**3,936,817**	**3,228,222**	**432,986**	**510,631**	**4,591,617**	**4,221,483**	**125,481**	**133,444**	**-**	**-**	**9,086,901**	**8,093,780**
Gain/(loss) on disposal of property, plant and equipment	(2,964)	(2,752)	(373)	(329)	(66)	-	1,741	5,975	-	-	(1,662)	2,894
Impairment losses in financial assets	(462)	-	(28)	-	-	-	-	-	-	-	(490)	-
Other gains/(losses)	(637,610)	(593,692)	(1,398)	(1,268)	-	-	-	-	-	-	(639,008)	(594,960)
Net result	**(59,956)**	**(726,569)**	**(161,241)**	**(67,617)**	**4,558,553**	**4,022,119**	**88,084**	**91,507**	**-**	**-**	**4,425,440**	**3,319,440**
Other comprehensive income												
Net increase/(decrease) in asset revaluation reserve	3,622,653	7,561,766	59,130	101,603	-	-	1,857	2,017	-	-	3,683,640	7,665,386
Total other comprehensive income for the year	**3,622,653**	**7,561,766**	**59,130**	**101,603**	**-**	**-**	**1,857**	**2,017**	**-**	**-**	**3,683,640**	**7,665,386**
Total comprehensive income	**3,562,697**	**6,835,197**	**(102,111)**	**33,986**	**4,558,553**	**4,022,119**	**89,941**	**93,524**	**-**	**-**	**8,109,080**	**10,984,826**

7. Program Group Statements for the year ended 30 June 2019 (continued)

Administered expenses and income

	Safe & Reliable Transport		Accessible Transport		Future Ready Transport		Successful Places		Not attributable		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Administered expenses												
Other	-	-	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-
Administered expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Administered income												
Transfer receipts	-	-	-	-	-	-	-	-	3,742,462	3,668,529	3,742,462	3,668,529
Administered income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,742,462**	**3,668,529**	**3,742,462**	**3,668,529**
Administered income less expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,742,462**	**3,668,529**	**3,742,462**	**3,668,529**

Administered assets and liabilities are disclosed in Note 28.

7. Program Group Statements for the year ended 30 June 2019 (continued)

Roads and Maritime Services assets and liabilities

	Safe & Reliable Transport		Accessible Transport		Future Ready Transport		Successful Places		Not attributable		Total	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
ASSETS												
Current assets												
Cash and cash equivalents	-	-	293,736	265,357	-	-	-	-	727,816	621,482	1,021,552	886,839
Receivables	380,093	198,459	244,837	328,989	15,393	11,427	42,773	41,434	-	-	683,096	580,309
Inventories	4,426	4,129	546	493	-	-	75	140	-	-	5,047	4,762
Financial assets at fair value	-	-	119,615	111,565	-	-	-	-	-	-	119,615	111,565
Other financial assets	-	146,887	-	-	-	-	-	-	-	-	-	146,887
Non-current assets classified as held for sale	266	972	33	116	-	-	4	33	-	-	303	1,121
Total current assets	**384,785**	**350,447**	**658,767**	**706,520**	**15,393**	**11,427**	**42,852**	**41,607**	**727,816**	**621,482**	**1,829,613**	**1,731,483**
Non-current assets												
Receivables	15,121	34,021	1,864	60,423	1,944,718	1,322,229	255	10,143	-	-	1,961,958	1,426,816
Other financial assets	236,021	222,992	-	-	-	-	-	-	-	-	236,021	222,992
Property, plant and equipment												
- Land and buildings	3,070,492	3,174,451	378,429	379,171	-	-	51,811	107,264	-	-	3,500,732	3,660,886
- Plant and equipment	96,233	91,370	11,826	10,914	-	-	1,619	3,087	-		109,678	105,371
- Infrastructure systems	85,384,099	80,339,931	956,612	845,409	9,210,578	7,198,037	-	-	-	-	95,511,289	88,383,377
Property, plant and equipment	**88,550,824**	**83,605,752**	**1,346,867**	**1,235,494**	**9,210,578**	**7,198,037**	**53,430**	**110,351**	**-**	**-**	**99,161,699**	**92,149,634**
Private sector provided infrastructure	2,338,653	2,075,417	-	-	-	-	-	-	-	-	2,338,653	2,075,417
Intangible assets	130,279	133,361	16,091	15,929	-	-	81,744	4,506	-	-	228,114	153,796
Total non-current assets	**91,270,898**	**86,071,543**	**1,364,822**	**1,311,846**	**11,155,296**	**8,520,266**	**135,429**	**125,000**	**-**	**-**	**103,926,445**	**96,028,655**
Total assets	**91,655,683**	**86,421,990**	**2,023,589**	**2,018,366**	**11,170,689**	**8,531,693**	**178,281**	**166,607**	**727,816**	**621,482**	**105,756,058**	**97,760,138**
LIABILITIES												
Current liabilities												
Payables	1,038,238	903,702	131,062	111,228	81,200	291,810	18,591	30,635	-	-	1,269,091	1,337,375
Borrowings	68,059	60,558	-	-	-	-	-	-	-	-	68,059	60,558
Provisions	25,846	15,275	487	955	-	-	10,900	270	-	-	37,233	16,500
Other	188,798	179,873	41,358	38,965	34,406	73,114	86	179	-	-	264,648	292,131
Total current liabilities	**1,320,941**	**1,159,408**	**172,907**	**151,148**	**115,606**	**364,924**	**29,577**	**31,084**	**-**	**-**	**1,639,031**	**1,706,564**
Non-current liabilities												
Payables	4,323	7,725	756	1,167	-	-	150	268	-	-	5,229	9,160
Borrowings	176,516	244,575	-	-	-	-	-	-	-	-	176,516	244,575
Provisions	52,425	24,516	1,391	1,237	-	-	6,411	350	-	-	60,227	26,103
Other	573,496	585,822	53,654	46,961	-	-	1,101	1,834	-	-	628,251	634,617
Total non-current liabilities	**806,760**	**862,638**	**55,801**	**49,365**	**-**	**-**	**7,662**	**2,452**	**-**	**-**	**870,223**	**914,455**
Total liabilities	**2,127,701**	**2,022,046**	**228,708**	**200,513**	**115,606**	**364,924**	**37,239**	**33,536**	**-**	**-**	**2,509,254**	**2,621,019**
Net assets	**89,527,982**	**84,399,944**	**1,794,881**	**1,817,853**	**11,055,083**	**8,166,769**	**141,042**	**133,071**	**727,816**	**621,482**	**103,246,804**	**95,139,119**

7. Program Group Statements for the year ended 30 June 2019 (continued)

Program Group Descriptions

(a) Safe and reliable travel

This program group delivers ongoing operational, maintenance and overall performance of transport networks, to ensure journey reliability and customer satisfaction. This outcome relates to the day to day performance of the road and transport network. It covers the operations and maintenance of assets to support the safe movement of people and goods across New South Wales.

Initiatives and activities in this program group include:
• maintenance of road, maritime and freight assets
• investments to improve road safety
• enhancement of road freight productivity in regional New South Wales
• road upgrades in regional New South Wales

(b) Accessible transport

This program group enables and enhances the equity and accessibility of the transport system for all customer groups. This provides more choice for people with mobility constraints, better connections to places and opportunities for employment, education, business and enjoyment.

Initiatives and activities in this program group include:
• assistance to industry to adjust to the modernisation of the point to point transport industry
• access upgrades to transport infrastructure, including wharves, designed to enhance accessibility for a range of transport customers.

(c) Future ready transport

This program group enhances infrastructure and asset capacity allowing the transport system to efficiently and sustainably cater for future demand.

Initiatives and activities in this program group include:
• continuation of the delivery of WestConnex, including spending for pre-construction and construction
• spending for road and highway upgrades within the Sydney and regional areas
• planning and delivery of missing links on motorways and major routes in Sydney
• addressing critical pinch points within the road network

(d) Successful places

This program group implements initiatives with a focus on activating precincts through leveraging transport infrastructure and land holdings. The initiatives under this program group aims to transforming the public domain, developing new commercial and housing developments, and renewing existing neighbourhoods and spaces.

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 original maturities of three months or less and 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.

	2019 $'000	2018 $'000
RMS operating account**	909,817	777,181
Remitting account, cash in transit and cash on hand*	14,548	5,728
On call deposits**	57,268	56,427
Other**	39,919	47,503
Cash and cash equivalents	**1,021,552**	**886,839**

*The remitting account balance above does not include cash of $40.1 million (2018: $38.0 million) relating to administered revenue held by RMS as at 30 June 2019 (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:

	2019 $'000	2018 $'000
Cash and cash equivalents (per statement of financial position)	1,021,552	886,839
Closing cash and cash equivalents (per statement of cash flows)	**1,021,552**	**886,839**

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	2019 $'000	2018 $'000
(i) Current receivables			
Sale of goods and services		43,102	40,196
Other receivables		83,407	122,123
Less: Allowance for expected credit loss*		(8,333)	-
Less: Allowance for impairment*		-	(9,944)
Receivables		**118,176**	**152,375**
Goods and services tax receivable		202,962	146,046
Goods and Services Tax		**202,962**	**146,046**
Prepayments		211,177	157,715
Property and other debtors		19,623	16,716
Prepayments Motorways^		15,393	11,427
Other		**246,193**	**185,858**
Accrued interest		2	451
Property sales		96,931	86,699
Accrued other income		18,832	8,880
Accrued Income		**115,765**	**96,030**
Current receivables		**683,096**	**580,309**
Year ended 30 June 2019			
Balance at 1 July under AASB 9			
Movement in the allowance for expected credit losses:			
Balance at 1 July		9,944	
Amounts restated through opening accumulated funds		(2,110)	
Balance at 1 July under AASB 9		**7,834**	
Increase/(decrease) in allowance recognised in net results		491	
Amounts written (off)/back during the period		9	
Balance at 30 June		**8,334**	
Year ended 30 June 2018			
Movement in the allowance for impairment:			
Balance at 1 July			10,010
Increase in allowance recognised in Statement of Comprehensive Income	5		6,769
Amounts written (off)/back during the period			(6,835)
Balance at 30 June			**9,944**
(ii) Non-current receivables			
Prepayments Motorways^		1,944,719	1,322,229
Property Sales		-	81,068
Prepayments		17,239	23,519
Non-current receivables		**1,961,958**	**1,426,816**

*The allowance for expected credit loss and 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.

9. Receivables (continued)

Recognition and Measurement

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

Subsequent measurement under AASB 9 (from 1 July 2018)
The entity holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)
Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

Impairment under AASB 9 (from 1 July 2018)

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

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

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

Receivables are subject to an annual review for impairment. 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

	2019 $'000	2018 $'000
Tcorp IM Funds - long-term growth facility	38,140	35,002
Tcorp IM Funds - medium-term growth facility	81,475	76,563
Financial assets at fair value through profit or loss	**119,615**	**111,565**

10. Financial assets at fair value (continued)

Recognition and Measurement

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

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

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

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

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

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

Financial assets at fair value through profit or loss
RMS classified its financial assets as financial assets at fair value through profit. The classification was based on the purpose of acquiring such financial assets.

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) IM Funds 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 IM Funds 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	2019 $'000	2018 $'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		176,766	165,519
M2 and Eastern distributor operators Promissory notes	13(a)	59,255	57,473
Non-current other financial assets		**236,021**	**222,992**

11. Other financial assets (continued)

Recognition and Measurement

Loans, promissory notes, held-to-maturity investments and other recoverable amounts are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially measured at fair value plus any transaction cost.

Subsequent measurement under AASB 9 (from 1 July 2018)

Financial assets at amortised cost

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses).

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

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or though the amortisation process.

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

Impairment

Impairment under AASB 9 (from 1 July 2018)

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

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

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

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 other gains/(losses).

Any reversals of impairment losses are reversed through the net result for the year, where the decrease in impairment losses can be related objectively to an event occurring after the impairment was recognised. Reversals of impairment losses 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 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 30 June 2019 - fair value				
Gross carrying amount	3,660,068	243,391	125,446,237	129,349,696
Accumulated depreciation and impairment	(159,336)	(133,713)	(29,894,948)	(30,187,997)
Net carrying amount	**3,500,732**	**109,678**	**95,551,289**	**99,161,699**

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**
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**

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 2019
Reconciliation

	Notes	Land and buildings $ '000	Plant and equipment $ '000	Infrastructure systems $ '000	TOTAL $ '000
Net carrying amount at start of year		3,660,886	105,371	88,383,377	92,149,634
Additions		392,224	15,886	5,012,712	5,420,822
Assets recognised for the first time	3(f)	8,501	550	2,036	11,087
Net revaluation increments less revaluation decrements recognised in equity		19,828	-	3,663,812	3,683,640
Net revaluation increments less revaluation decrements recognised in net result	6	(492,228)	-	69,226	(423,002)
Disposals	4	(1,878)	(1,353)	-	(3,231)
Asset write-off	6	-	-	(216,006)	(216,006)
Transfer (to)/from non-current assets held for sale		(36,493)	(50)	-	(36,543)
Reclassification between PPE classes		-	2,101	(2,101)	-
Reclassification between land and building classes		-	-	-	-
Transfer to infrastructure		(30,185)	-	30,185	-
Reclassifications (to)/from intangible assets	13(b)	-	65	(278)	(213)
Reclassifications (to)/from other assets		-	-	14,971	14,971
Depreciation expense	2(d)	(19,537)	(12,892)	(1,509,722)	(1,542,151)
Assets transferred in/(out) through equity	21	(3,505)	-	-	(3,505)
Transfer to councils	2(e)	-	-	(32,931)	(32,931)
Transfer from councils		3,119	-	12,374	15,493
Transfer (to)/from other Transport agencies		-	-	123,634	123,634
Net carrying amount at year end		**3,500,732**	**109,678**	**95,551,289**	**99,161,699**

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 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	4,186,919	4,727,054
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		(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)
Transfer (to)/from other Transport agencies		-	-	77,567	77,567
Net carrying amount at end of year		**3,660,886**	**105,371**	**88,383,377**	**92,149,634**

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 2019

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		300,574	157,902	3,176,279	26,131	3,660,886
Additions		-	22,463	367,145	2,616	392,224
Assets recognised for the first time	3(f)	-	8,501	-	-	8,501
Net revaluation increments less revaluation decrements recognised in equity		20,930	(1,102)	-	-	19,828
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	(492,228)	-	(492,228)
Disposals		-	(1,837)	-	(41)	(1,878)
Transfer (to)/from non-current assets held for sale		-	-	(36,493)	-	(36,493)
Reclassification between land and building classes	13(b)	-	(276)	-	276	-
Transfer to infrastructure	12(c)	-	(6,158)	(24,027)	-	(30,185)
Depreciation expense		-	(11,151)	-	(8,386)	(19,537)
Assets transferred in/(out) through equity	21	-	-	(3,505)	-	(3,505)
Transfer from councils		-	-	3,119	-	3,119
Net carrying amount at end of year		**321,504**	**168,342**	**2,990,290**	**20,596**	**3,500,732**

* Administrative Land and Buildings were revalued during 2018-19 resulting in a net asset revaluation increment of $19.8 million (2018: $10.5 million decrement), recognised through equity. In 2018 the decrement was recorded against asset revaluation reserve.

** In 2018-19, Land Acquired for Future Road Works (LAFFRW) was comprehensively revalued resulting in a decrease in the asset revaluation reserve of approximately $132.2 million (2018: $198.7 million increment). Further decreases have occurred with revaluation decrements arising from the transfers of LAFFRW to infrastructure. Total net revaluation decrement of $492.2 million (2018: $391.1 million decrement) has been recognised in the net result.

12. Property, plant and equipment (continued)

(a) Land and buildings (continued)

Year ended 30 June 2018
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		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		-	-	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**

12. Property, plant and equipment (continued)

(b) Plant and equipment

Year ended 30 June 2019
Reconciliation

	Notes	Plant equipment and motor vehicles $ '000	Computer hardware $ '000	Electronic office equipment $ '000	TOTAL $ '000
Net carrying amount at start of year		101,217	3,267	887	105,371
Additions		15,789	97	-	15,886
Assets recognised for the first time	3(f)	550	-	-	550
Disposals		(1,311)	(42)	-	(1,353)
Transfer (to)/from non-current assets held for sale		(50)	-	-	(50)
Reclassification between PPE classes		2,101	-	-	2,101
Reclassifications (to)/from intangible assets	13(b)	76	(11)	-	65
Depreciation expense		(11,458)	(1,311)	(123)	(12,892)
Net carrying amount at end of year		**106,914**	**2,000**	**764**	**109,678**

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**

12. Property, plant and equipment (continued)

(c) Infrastructure systems

Year ended 30 June 2019

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		61,818,757	1,807,971	15,591,259	940,283	104,028	159,297	800,717	7,161,065	88,383,377
Additions		-	-	-	-	-	-	-	5,012,712	5,012,712
Assets recognised for the first time	3(f)	-	-	-	-	-	2,036	-	-	2,036
Net revaluation increments less revaluation decrements recognised in equity		2,357,388	224,444	625,786	33,327	85,564	310,303	27,000	-	3,663,812
Net revaluation increments less revaluation decrements recognised in net result	6	-	-	-	-	69,226	-	-	-	69,226
Asset write-off		(163,835)	-	(4,226)	-	(2,045)	(15,194)	(1,398)	(29,308)	(216,006)
Reclassification between PPE classes		2,208,651	-	477,131	-	61,063	163,725	94,110	(3,006,781)	(2,101)
Transfer (to)/from land and buildings	12(a)	-	24,027	-	-	-	-	6,158	-	30,185
Reclassifications (to)/from intangible assets	13(b)	-	-	-	-	-	-	-	(278)	(278)
Reclassifications (to)/from other assets		13,154	-	61,366	-	-	-	-	(59,549)	14,971
Depreciation expense	2(d)	(1,170,881)	-	(219,287)	(15,834)	(50,407)	(38,303)	(15,010)	-	(1,509,722)
Transfer to councils	2(e)	(24,950)	(207)	(7,774)	-	-	-	-	-	(32,931)
Transfer from councils		5,425	615	-	-	-	-	6,334	-	12,374
Transfer (to)/from other Transport agencies		43,924	-	-	-	-	-	-	79,710	123,634
Net carrying amount at end of year		**65,087,633**	**2,056,850**	**16,524,255**	**957,776**	**267,429**	**581,864**	**917,911**	**9,157,571**	**95,551,289**

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 2019 the net carrying amount of this leased infrastructure assets was $957.8 million (2018: $940.3 million).

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

12. Property, plant and equipment (continued)

(c) Infrastructure systems (continued)

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	-	3,574,843	4,186,919
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)
Transfer (to)/from other Transport agencies		-	-	-	-	-	-	-	77,567	77,567
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**

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. These have no active market. Items considered immaterial 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.

Comprehensive revaluations by external valuers are undertaken on a three year cycle for property assets, and on a five year cycle for infrastructure assets. Desktop valuations are performed in the years in between to ensure that the carrying amounts do not differ materially from fair value at reporting date.

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
Land and Administrative buildings	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 $27.2 million (2018: $23.3 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 2018-19, ULR, Rental, Surplus and Administration Properties were subject to a comprehensive revaluation by registered valuers.

12. Property, plant and equipment (continued)

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)		- 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 using straight line method.
Lanterns		- 15 years
Posts		- 30 years
Loops		- 10 years
Controller		- 15 years
Civils		- 30 years

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
Enforcement Systems		- 10 - 40 years
Traffic Monitoring Units		- 15 years
Weather Stations		- 15 - 40 years
Variable Speed Signs		- 15 - 40 years
Variable Message Signs		- 15 - 40 years
Tidal Flow Systems		- 20 years
Over-Speed Detection Systems		- 15 - 40 years
Over-Height Detection Systems		- 15 years
Vehicle Detection Classification System		- 15 - 40 years
Emergency Warning Systems		- 15 years
Advanced Warning Systems		- 15 - 40 years
Changeable Message Signs		- 15 - 40 years
Weigh-In-Motion Systems		- 15 - 40 years
Street Lights		- 15 - 30 years
Emergency Phones		- 15 - 30 years
School Zone Warning System		- 15 - 40 years
Traffic Management Centre		- 5 - 30 years
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 50 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.

12. Property, plant and equipment (continued)

Asset	Measurement/Valuation policy	Depreciation policy
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) (2018: Australian Bureau of Statistics' Roads and Bridge Cost Index (RBCI)) is applied each year until the following unit replacement rate review is undertaken.

Subsequent to the review, infrastructure is valued using the unit replacement rates, adjusted by the applicable RBCI (2018: 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 comprehensive valuation of the traffic signal and traffic control network assets was carried out by an independent valuer on 31 March 2019 using the depreciated replacement cost (DRC) approach.

A comprehensive revaluation for road and bridge infrastructure assets was performed by an independent valuer in 2018.

The methods and significant assumptions applied in estimating these asset class fair values include:

Valuation methodologies

Traffic Signal and Traffic Control Network

The approach involved the following steps:

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

12. Property, plant and equipment (continued)

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
- 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.

12. Property, plant and equipment (continued)

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)).

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	2019 $'000	2018 $'000
M2 Motorway/M2 Widening	Carrying amount at start of year		275,426	235,108
	Annual increment - emerging right to receive	3(f)	37,298	40,318
	Carrying amount at end of year		**312,724**	**275,426**
M4 Motorway Service Centre	Carrying amount at start of year		-	11,818
	Annual increment - emerging right to receive	3(f)	-	1,010
	Transfer to RMS owned Land and Buildings	12(a)	-	(12,828)
	Carrying amount at end of year		**-**	**-**
M4 Motorway/M4 Widening	Carrying amount at start of year		7,060	-
	Annual increment - emerging right to receive	3(f)	6,290	7,060
	Carrying amount at end of year		**13,350**	**7,060**
M5 South-West Motorway	Carrying amount at start of year		398,400	353,966
	Annual increment - emerging right to receive	3(f)	49,786	44,434
	Carrying amount at end of year		**448,186**	**398,400**
Eastern Distributor	Carrying amount at start of year		189,277	167,008
	Annual increment - emerging right to receive	3(f)	23,730	22,269
	Carrying amount at end of year		**213,007**	**189,277**
Cross City Tunnel	Carrying amount at start of year		279,269	248,437
	Annual increment - emerging right to receive	3(f)	32,522	30,832
	Carrying amount at end of year		**311,791**	**279,269**
Westlink M7 Motorway	Carrying amount at start of year		575,560	508,855
	Annual increment - emerging right to receive	3(f)	70,447	66,705
	Carrying amount at end of year		**646,007**	**575,560**
Lane Cove Tunnel	Carrying amount at start of year		350,425	309,716
	Annual increment - emerging right to receive	3(f)	43,163	40,709
	Carrying amount at end of year		**393,588**	**350,425**
	Total carrying amount at the end of period		**2,338,653**	**2,075,417**
Total	**Carrying amount at start of year**		**2,075,417**	**1,834,908**
	Annual increment - emerging right to receive		**263,236**	**253,337**
	Transfer to RMS owned assets		**-**	**(12,828)**
	Carrying amount at end of year		**2,338,653**	**2,075,417**

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.

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

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. The M2 Motorway was upgraded in 2013, at an initial construction cost of $550 million. This further extended the service concession period by a further four years.

An agreement was reached on 31 January 2015 for integration works on the M2 Motorway to connect it with the new NorthConnex Motorway. These works were completed in May 2018 and extended the concession term by a further two years to 30 June 2048, resulting in the term of agreement to 51 years. Under the revised concession terms, the agreement now ends on the 51st anniversary of the M2 commencement date or sooner if a certain rate of return is achieved, subject to the provisions of the M2 Motorway Project Deed.

RMS leased land, detailed in the M2 Motorway Project Deed, for the term of the Agreement. Until the project achieves the required rate of return, rent is payable in cash or by promissory note at the Lessee's discretion. On achievement of the required rate, the rent is payable in cash. Under the terms of the lease, 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.

No payments have been made for rents on the leases for the year ended 30 June 2019 (2018: No payments made). RMS, as at 30 June 2019, has received promissory notes for rent on the above leases totalling $216.3 million (2018: $204.4 million). The value of these promissory notes as at 30 June 2019 is $36.4 million (2018: $36.8 million) (Refer to note 11).

The total carrying value of the M2 Motorway emerging asset, including the M2 Upgrade, is $312.7 million as at 30 June 2019 (2018: $275.4 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. The initial period was subsequently extended to 22 August 2023, in consideration of the concession holder undertaking construction of an additional interchange at Moorebank (M5 Improvements).

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 project deed was amended in 2018 to include east facing ramps on the M5 motorway intersecting Belmore Road as part of the service concession. These ramps were constructed by RMS but will be operated and maintained by the concession holder. The ramps were opened to traffic in February 2019.

The total carrying value of the M5 South-West Motorway emerging asset, including the M5 widening and Belmore Road ramps is $448.2 million as at 30 June 2019 (2018: $398.4 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 $330 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, RMS must not present any of the promissory notes for payment until the earlier of the end of the term of agreement of 24 July 2048 or the achievement of the required rate of return. As at 30 June 2019, the promissory notes have a value of $22.8 million (2018: $20.6 million) (refer note 11).

Under the terms of the Project Deed, the Term of the Eastern Distributor is 48 years from the Eastern Distributor Commencement Date on 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 $213.0 million as at 30 June 2019 (2018: $189.3 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 $311.8 million as at 30 June 2019 (2018: $279.3 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 $646.0 million as at 30 June 2019 (2018: $575.6 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 $393.6 million as at 30 June 2019 (2018: $350.4 million).

In consideration for the extension of the concession term, RMS received 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 2019, RMS has received the full $200 million in concession fees (2018: $45.0 million). RMS had valued the concession receivable at amortised cost. As at 30 June 2019, these future receipts have a value of $0 million (2018: $146.9 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 $996.7 million in cash towards the construction, construction management and property acquisition costs, and the balance will be financed by the concession holder.

On completion of construction, which is expected to be in 2020, the project deed stipulates that the concession holder will operate the motorway until 30 June 2048, after which the motorway will be transferred back to 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 2019, 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 (including St Peters Interchange works and King Georges Road Intersection Upgrade works), and the M4-M5 link and Rozelle Interchange works

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 Stage 1B was opened to traffic on 13 July 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 $13.4 million as at 30 June 2019 (2018: $7.1 million).

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. Completion of Stage 2 construction is expected to be in 2020.

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 2019, RMS has not recognised an emerging asset.

M4-M5 Link (Stage 3)

The Stage 3 Project Deed was signed with the concession holder on 12 June 2018 to:

- design, construct, operate and maintain the M4-M5 Link Tunnels; and
- operate and maintain the Rozelle Interchange.

On 14 December 2018, RMS entered into the Rozelle Interchange and Western Harbour Tunnel Enabling Works D&C Deed with the CPB Contractors and John Holland JV. The Rozelle Interchange will be transferred the concession holder.

RMS will grant the Trustees the 'M4-M5 Link Leases' being:

- the 'Main Tunnel Lease' on the date of Opening Completion
- the 'Rozelle Interchange Lease' on the date the Rozelle Interchange is transferred to the concession holder.

The Project Deed stipulates that the concession holder will operate the M4-M5 Link until 31 December 2060, after which the motorway will be transferred to 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.

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

(b) Other intangible assets

	Notes	2019 $'000	2018 $'000
Balance at start of year			
Information technology system:			
Cost		371,015	368,727
Accumulated amortisation and impairment		(217,219)	(199,561)
Net carrying amount at the start of year		**153,796**	**169,166**

	Notes	2019 $'000	2018 $'000
Balance at end of year			
Information technology system:			
Cost		360,120	371,015
Accumulated amortisation and impairment		(211,547)	(217,219)
Net carrying amount at end of year		**148,573**	**153,796**
Biodiversity credits:			
Cost		79,541	-
Accumulated amortisation and impairment		-	-
Net carrying amount at end of year		**79,541**	**-**
Information technology system:			
Net carrying amount at start of year		153,796	169,166
Additions		31,533	19,037
Disposals		(223)	(437)
Transfer (to)/from PPE	12	213	3,390
Amortisation expense	2(d)	(36,746)	(37,360)
Net carrying amount at end of year		**148,573**	**153,796**
Biodiversity credits:			
Net carrying amount at start of year		-	-
Additions		79,541	-
Net carrying amount at end of year		**79,541**	**-**
		228,114	**153,796**

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. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the entity's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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.

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

Asset	Valuation policy	Amortisation policy
Information technology system	Depreciated historical cost	Amortised using the straight-line method over the estimated useful life of between 2 and 10 years.
Biodiversity credits	Cost less accumulated impairment losses	Indefinite useful life and not amortised. Carrying amount is tested yearly for impairment.

14. Non-current assets held for sale

	2019 $'000	2018 $'000
Land and buildings	253	835
Plant and equipment	50	286
Non-current assets held for sale	**303**	**1,121**

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 measured at the lower of carrying amount and fair value less costs of disposal. These assets are not depreciated while they are classified as held for sale.

Land and buildings held for sale include properties that have been identified as no longer required to fulfil long-term plans for road development or administrative needs. These assets are placed on auction or tender as outlined in the annual asset selling plan and sales budget. Plant and equipment held for sale mainly consists of fleet assets that are no longer required for business purposes. The gain or loss recognised on sale is: land and buildings $0.4 million loss (2018: $1.6 million loss), plant and equipment $0.2 million gain (2018: $0.1 million gain). The written down value of assets held for sale derecognised: land and buildings $37.2 million (2018: $20.7 million), plant and equipment $0.2 million (2018: $0.1 million)

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 2019 $000	Level 2 2019 $000	Level 3 2019 $000	Total fair value 2019 $000
Property, plant and equipment				
Land and buildings	-	3,500,732	-	3,500,732
Plant and equipment	-	-	-	-
Infrastructure systems*	-	-	86,393,718	86,393,718
Non-current assets held for sale	-	303	-	303
	-	**3,501,035**	**86,393,718**	**89,894,753**

	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
Plant and equipment	-	-	-	-
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**

*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). Cost/m^2 rates per bridge type are derived from current	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. Assets are depreciated over their remaining useful life depending on bridges' condition as depicted by the

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

Valuation Technique	Valuation input
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.	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 major asset components: Lanterns Posts Loops Controller Civils 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.

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

Valuation Technique	Valuation input
Traffic Control Network	
Depreciated replacement cost of major asset components: Enforcement Systems Traffic Monitoring Units Weather Stations Variable Speed Signs Variable Message Signs Tidal Flow Systems Over-Speed Detection Systems Over-Height Detection Systems Vehicle Detection Classification System Emergency Warning Systems Advanced Warning Systems Changeable Message Signs Weigh-In-Motion Systems Street Lights Emergency Phones School Zone Warning System Traffic Management Centre Assets are depreciated over estimated useful life depending on component type (Note 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.	Current unit replacement costs. 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. CPI is applied to the replacement cost of assets to ensure the carrying amounts are at fair value. 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
2019	Net carrying amount at start of year	61,818,757	1,807,971	15,591,259	940,283	104,028	159,297	800,717	81,222,312
	Assets recognised for the first time	-	-	-	-	-	2,036	-	2,036
	Net revaluation increments less revaluation decrements recognised in equity	2,357,388	224,444	625,786	33,327	85,564	310,303	27,000	3,663,812
	Net revaluation increments less revaluation decrements recognised in net result	-	-	-	-	69,226	-	-	69,226
	Asset write-off	(163,835)	-	(4,226)	-	(2,045)	(15,194)	(1,398)	(186,698)
	Reclassification between PPE classes	2,208,651	-	477,131	-	61,063	163,725	94,110	3,004,680
	Transfer from Level 2	-	24,027	-	-	-	-	6,158	30,185
	Reclassifications (to)/from other assets	13,154	-	61,366	-	-	-	-	74,520
	Depreciation expense	(1,170,881)	-	(219,287)	(15,834)	(50,407)	(38,303)	(15,010)	(1,509,722)
	Transfer to councils	(24,950)	(207)	(7,774)	-	-	-	-	(32,931)
	Transfer from councils	5,425	615	-	-	-	-	6,334	12,374
	Transfer (to)/from other Transport agencies	43,924	-	-	-	-	-	-	43,924
	Net carrying amount at end of year	**65,087,633**	**2,056,850**	**16,524,255**	**957,776**	**267,429**	**581,864**	**917,911**	**86,393,718**
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**

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

	2019 $'000	2018 $'000
Cash and cash equivalents	390,916	369,268

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 $57.3 million (2018: $56.4 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 $293.7 million (2018: $265.4 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 $39.9 million (2018: $47.5 million) are held within the Treasury Banking System. Transactions on this account are restricted to activity relating to land acquisitions.

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 (2018: $0.01 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

	2019 $'000	2018 $'000
(i) Current payables		
Accrued expenses		
- Work carried out by councils	141,733	151,776
- Works contract expenditure	565,308	406,475
- Other (including non-works contracts)	257,666	264,512
Trade creditors*	112,208	108,790
Creditors arising from compulsory acquisitions	37,526	236,098
Personnel services	72,294	71,949
Other	82,356	97,775
Current payables	**1,269,091**	**1,337,375**
(ii) Non-current payables		
Personnel services	5,229	5,349
Other	-	3,811
Non-current payables	**5,229**	**9,160**

*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	2019 $'000	2018 $'000
(i) Current - Unsecured			
Finance lease - Sydney Harbour Tunnel	22(c)	68,059	60,558
Current borrowings		**68,059**	**60,558**
(ii) Non-current - Unsecured			
Finance lease - Sydney Harbour Tunnel	22(c)	176,516	244,575
Non-current borrowings		**176,516**	**244,575**

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 2018	Cash	Non-cash	30 June 2019
Lease liability	305,133	(60,558)	-	244,575
Total	**305,133**	**(60,558)**	**-**	**244,575**

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.

Recognition and measurement under AASB 9 from 1 July 2018
Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, the entity's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

Recognition and measurement under AASB 139 for comparative period ended 30 June 2018
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 $6.0 million to 30 June 2021.

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 2019 or at 30 June 2018. Refer to note 23 regarding disclosures on contingent liabilities.

19. Provisions

	2019 $'000	2018 $'000
(i) Current provisions		
Provision for makegood - leasehold	613	2,294
Provision for remediation - land	3,894	6,923
Provision for biodiversity	10,834	-
Other	21,892	7,283
Current provisions	**37,233**	**16,500**
(ii) Non-current provisions		
Provision for makegood - leasehold	12,871	11,941
Provision for biodiversity	6,221	-
Other	41,135	14,162
Non-current provisions	**60,227**	**26,103**
Total provisions	**97,460**	**42,603**

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	Provision for biodiversity $'000	Other $'000	Total $'000
Carrying amount at start of year	14,235	6,923	-	21,445	42,603
Additional provisions recognised	3,156	4,629	17,055	41,136	65,976
Unused amounts reversed	(3,404)	-	-	-	(3,404)
Unwinding/ change in the discount rate	(393)	-	-	446	53
Amounts utilised	(110)	(7,658)	-	-	(7,768)
Carrying amount at end of year	**13,484**	**3,894**	**17,055**	**63,027**	**97,460**

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 2019 is based on per square metre rates ranging from $105 to $233 (2018: $103 to $228), adjusted by CPI of 2.25% (2018: 2.25%) and discounted at an average rate of 1.41% (2018: 2.14%). The level of the provision is reviewed at the end of each year.

A provision for biodiversity was raised in the current year. This represents the best estimate of the expenditure required to settle biodiversity credits arising from RMS construction works as well as maintain the required level of biodiversity on RMS land.

Other provisions include compliance claims and other minor provisions.

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.

19. Provisions (continued)

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 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

	2019 $'000	2018 $'000
(i) Current liabilities - other		
Statutory creditors	13,495	18,972
Unearned rent on M5 Motorway	513	513
Sydney Harbour Tunnel tax liabilities	4,578	4,525
Income received in advance	22,300	51,245
Holding accounts	166,557	162,216
Deferred revenue - reimbursement on private sector provided infrastructure	19,023	19,030
Priority list on moorings	508	487
Wetland security deposits*	1,525	1,524
Boating fees in advance**	36,149	33,619
Current liabilities - other	**264,648**	**292,131**
(ii) Non-current liabilities - other		
Unearned rent on M5 motorway	3,310	3,823
Sydney Harbour Tunnel tax liabilities	11,955	15,695
Income received in advance	79,627	68,851
Deferred revenue - reimbursement on private sector provided infrastructure	492,995	512,021
Boating fees in advance	40,364	34,227
Non-current liabilities - other	**628,251**	**634,617**

*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	2019 $'000	2018 $'000
Sydney Harbour Tunnel past tax liability	1,918	1,865
Sydney Harbour Tunnel future tax liability	2,660	2,660
Current	**4,578**	**4,525**
Sydney Harbour Tunnel past tax liability	3,496	5,069
Sydney Harbour Tunnel future tax liability	8,459	10,626
Non-current	**11,955**	**15,695**

20. Other liabilities (continued)

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.

	2019 $ '000	2018 $ '000
Rent earned in prior year	17,663	17,150
Rent earned in current year	513	513
Unearned rent as at year end (current and non-current)	3,824	4,337
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 $222.8 million (2018: $231.8 million) and the concession payments of $285.5 million (2018: $295.3 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. Both promissory notes are redeemable in 2048 or earlier on achievement of the required rate of return. RMS have recorded the present value of these future cash flows of $3.7 million (2018: $3.9 million) as deferred revenue and will amortise the liability over the concession period

20. Other liabilities (continued)

The amortisation and deferred revenue balances are shown in the table below.

	2019 $ '000	2018 $ '000
Amortisation of deferred revenue in prior years	138,075	129,018
Amortisation of deferred revenue in current year	9,057	9,057
Unearned reimbursement as at year end	222,784	231,841
Reimbursement of development costs for Lane Cove Tunnel, Cross City Tunnel and Western M7 Motorway	**369,916**	**369,916**
Amortisation of deferred revenue in prior years	33,612	23,774
Amortisation of deferred revenue in current year	9,838	9,838
Unearned reimbursement as at year end	285,503	295,341
Lane Cove Tunnel and M7 Motorway Concession Payments	**328,953**	**328,953**
Amortisation of deferred revenue in prior years	2,822	2,687
Amortisation of deferred revenue in current year	138	135
Unearned reimbursement as at year end	3,731	3,869
M2 and Eastern Distributor Promissory Notes	**6,691**	**6,691**
Total Unearned reimbursement as at year end	**512,018**	**531,051**
Classified as:		
Current	19,023	19,030
Non-current	492,995	512,021
Total	**512,018**	**531,051**

21. Increase in net assets from equity transfers

Transfer of net assets

	Notes	2019 $'000	2018 $'000
Net assets transferred were:			
Current assets			
Cash and cash equivalents		-	(8,708)
Non-current assets			
Property plant & equipment			
Land and buildings	12	(3,505)	(18,371)
Increase/(decrease) in net assets from equity transfer		**(3,505)**	**(27,079)**

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.

2019
Land valued at $2.7m was cleared for return to the Planning Ministerial Corporation having been scoped out of future construction works. Land valued at $0.7m was transferred to Sydney Metro for railway cutting and skytrain viaduct as part of the Sydney Metro Northwest, including areas for associated emergency and maintenance access.

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.

22. Commitments for expenditure

(a) Capital Commitments

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

	2019 $'000	2018 $'000
Within one year	3,722,670	1,554,456
Later than one year and not later than five years	3,996,804	1,716,809
Later than five years	1,479	-
Total (including GST)	**7,720,953**	**3,271,265**

(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:

	2019 $'000	2018 $'000
Within one year	58,578	56,689
Later than one year and not later than five years	115,509	122,202
Later than five years	18,402	13,898
Total (including GST)	**192,489**	**192,789**

The property operating lease commitments are as follows:

	2019 $'000	2018 $'000
Within one year	34,720	31,686
Later than one year and not later than five years	72,034	82,001
Later than five years	15,454	9,701
Total (including GST)	**122,208**	**123,388**

In respect of property leases, RMS has various leases with lessors that have specific lease periods ranging from one year to 21 years.

The light motor vehicle operating lease commitments are as follows:

	2019 $'000	2018 $'000
Within one year	7,289	8,309
Later than one year and not later than five years	6,425	7,689
Total (including GST)	**13,714**	**15,998**

The light motor vehicle leases are managed by SG Fleet Australia Pty Limited, a commercial fleet leasing company selected under NSW Government Contract 300 implemented by the Department of Finance, Services and Innovation. Individual leases are financed through a panel of six financing companies under NSW Government Contract 333.

22. Commitments for expenditure (continued)

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

	2019 $'000	2018 $'000
Within one year	16,569	16,694
Later than one year and not later than five years	37,050	32,512
Later than five years	2,948	4,197
Total (including GST)	**56,567**	**53,403**

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

The total commitments detailed above include GST input tax credits of $701.3 million for capital commitments and $17.5 million for operating commitments (2018: $297.4 million for capital commitments and $16.5 million for operating commitments) 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:

	2019 $'000	2018 $'000
Within one year	49,434	43,836
Later than one year and not later than five years	159,518	135,484
Later than five years	312,223	300,678
Total (including GST)	**521,175**	**479,998**

The total commitments detailed above include GST amount of $47.4 million (2018: $43.6 million) that are expected to be payable to the ATO.

(c) Sydney Harbour Tunnel – finance lease liability

	Notes	2019 $'000	2018 $'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)	84,545	81,794
Later than one year and not later than five years	30(g)	193,069	277,613
Later than five years	30(g)	-	-
Minimum lease payments	30(g)	**277,614**	**359,407**
Less: future finance charges		(33,038)	(54,274)
Present value of minimum lease payments		**244,576**	**305,133**
The present value of finance lease commitments is as follows:			
Within one year		68,059	60,558
Later than one year and not later than five years		176,516	244,575
Later than five years		-	-
Present value of finance lease commitments		**244,575**	**305,133**
Classified as:			
Current	18(i)	68,059	60,558
Non-current	18(ii)	176,516	244,575
Total		**244,575**	**305,133**

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 $0.8 million for the year ending 30 June 2019 (2018: $1.0 million).

23. Contingent assets and contingent liabilities

There are several contractual disputes with an estimated total contingent liability of $2.4 million (2018: $1.8 million).

There are a number of contractual claims that have arisen from the normal course of business. 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 $779.3 million (2018: $723.1 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 higher than budget by $991 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	**3,434**
Variance between budget and actuals comprises:	
Higher capital funding from Restart NSW to deliver new and accelerated Government commitments, including WestConnex Stage 3	597
Higher capital funding requirements in 2018-19 to deliver new and accelerated Government commitments	316
Lower than expected road and bridge assets transferred to councils against the standing budget	82
Higher non-cash revenues from traffic signal assets identified through the comprehensive revaluation outcomes	69
Lower operating expenditure due to programs re-profiled into future years	67
Lower than expected asset write-off following comprehensive revaluation outcomes	63
Higher capital funding received from other Government agencies to deliver various capital commitments	53
Lower than budgeted personnel services expense due to unfilled vacant positions	51
Lower operating expenditure re-profiled into future years to be met from recoverable revenue	45
Lower State Road natural disaster repairs and maintenance due to dry weather	29
Higher non-cash revenue actuarial adjustment to labour resources	29
Higher than expected infrastructure assets transferred from councils to RMS ownership	16
Lower recurrent funding due Weight Tax refunded for the Primary Producer concessions	(43)
Higher than budgeted depreciation expense, mainly due to traffic control and traffic signal assets comprehensive revaluation outcomes	(51)
Lower recurrent Consolidated Fund requirements from TfNSW due to programs re-profiled into future years	(67)
Higher non-cash write-downs of land acquired for future roadworks to accord with comprehensive revaluation outcomes	(275)
Other budget variances	10
	4,425

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

	$'M
Employee related and personnel service expenses as per the Budget	536
Variance comprises:	
Lower than budgeted employee numbers	(53)
Lower than budgeted non-controllable non-cash actuarial adjustments for personnel service	(4)
Higher than budgeted redundancy expense	6
Total variance	(51)
Actual employee related and personnel service expenses after adjusting variances as per the financial statements	**485**

24. Budget Review (continued)

Assets and liabilities

Total current assets are higher than budget by $747 million, largely due to higher cash and cash equivalents of $440 million arising from grant funding fully drawndown as at 30 June 2019. Current receivables are higher than budgeted by $365 million, mainly due to higher than budgeted prepaid contract works ($188 million), unbudgeted Natural Disaster funding receivable ($27 million), higher than budgeted recoverables from other state agencies ($25 million), and higher than budgeted net GST receivable ($69 million). This is offset by a lower than budgeted Lane Cove Tunnel receivable ($37 million) fully extinguished by 30 June 2019, and lower than budgeted non-current assets held for sale ($25 million) as they were sold to support the increase in land bank.

Total non-current assets are higher than budget by $1,784 million. This is primarily due to higher than budgeted revaluation increments ($1.2 billion) arising from the current year comprehensive revaluation of traffic control and traffic signal assets, and a re-assessment of the open space ratio applied on the valuation of land under roads. Furthermore, there were higher than budgeted capital spends during the year ($567 million) and higher than budgeted prepaid contributions for NorthConnex and WestConnex projects ($383 million). This is offset by higher than budgeted write-downs of land acquired for future roadworks ($275 million) and unbudgeted increments of traffic signal assets arising from the comprehensive revaluation ($69 million).

Total liabilities are higher than budget by $584 million. This is largely due to higher than budgeted accrual activities ($500 million), unbudgeted provisions relating to biodiversity credits ($17 million), and unbudgeted provisions of $63 million for environmental and contractors obligations.

Cash flows
Actual cash position at 30 June 2019 shows $440million favourable variance.

	$'M
Closing cash and cash equivalents as per the Budget	582
Variance comprises:	
Higher than budgeted operating cash inflow due to higher capital grants received to meet current year capital spend	1,228
Favourable opening cash position at the beginning of the year due to re-profiling of capital projects in the prior year	296
Lower than budgeted operating cash outflow due to re-profiling to future year	73
Higher than budgeted cash flows used in investing activities mainly due to higher cash outlays on capital spending	(1,171)
Other budget variances	14
Closing cash and cash equivalents as per the Actuals	**1,022**

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	2019 $'000	2018 $'000
Net cash inflows / (outflows) from operating activities		6,092,585	5,253,210
Depreciation and amortisation	2(d)	(1,578,897)	(1,632,294)
M2 and Eastern Distributor Promissory Notes	3(b)	1,782	5,000
Non-cash personnel services expense		(47,395)	(17,931)
Right to receive on PSPI	13(a)	263,236	253,337
Non-cash grant from Transport Cluster agencies.	12	123,634	77,567
Other non-cash items		106,912	111,847
Property, plant and equipment transferred from councils	12	15,493	-
Roads and bridges transferred to councils	2(e)	(32,931)	(199,364)
Net revaluation increment / (decrement) recognised in net result	5	(423,002)	(389,598)
Net gain / (loss) on sale of non-current assets held for sale	4	(153)	3,077
Increase/(decrease) in receivables		81,421	90,416
Increase/(decrease) in inventories		285	(914)
(Increase)/decrease in payables		36,841	(16,381)
(Increase) / decrease in provisions		3,144	(19,756)
Assets written off	5	(216,006)	(198,593)
Net gain / (loss) on sale of property, plant and equipment	4	(1,509)	(183)
Reconciliation to net result		**4,425,440**	**3,319,440**

26. Non-cash financing and investing activities

	Notes	2019 $'000	2018 $'000
M2 and Eastern Distributor promissory notes	3(b)	1,782	5,000
Property, plant and equipment transferred from councils	12	15,493	-
Roads transferred to councils	2(e)	(32,931)	(199,364)
Right to receive on PSPI	3(f)	263,236	253,337
Assets recognised for the first time	3(f)	11,087	49,345
Non-cash grant from Transport Cluster agencies	25	123,634	77,567
Assets written off	5	(216,006)	(198,593)
Equity transfers	21	(3,505)	(18,371)
Resources received free of charge	3(f)	59,314	27,036
Net revaluation increment recognised in net result	6	(423,002)	(389,598)
Non-cash financing and investing activities		**(200,898)**	**(393,641)**

27. Administered income and expenses

	2019 $'000	2018 $'000
Transfer receipts		
Taxes, fees and fines	643,225	627,656
Stamp duty	793,928	835,064
Motor vehicle weight tax and fines	2,210,391	2,146,894
Other	94,918	58,915
Administered income	**3,742,462**	**3,668,529**
Administered income less expenses	**3,742,462**	**3,668,529**

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.

In 2017-18, 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 was a decrease in the Administered Income in this note. An associated administered liability (current provision) was reflected in the Administered Liability disclosure in Note 28 below. This provision has now been extinguished.

In 2018-19 the arrangement for collection of the regulatory fee in association with the National Heavy Vehicle Regulator changed. RMS now remits all Heavy Vehicle regulatory fees to the National Heavy Vehicle Regulator. $49.1 million has been recorded within Other transfer receipts above.

28. Administered assets and liabilities

	2019 $'000	2018 $'000
Remitting account, cash in transit and cash on hand	40,074	37,979
Administered assets	**40,074**	**37,979**
Provision (current)	-	41,678
Holding accounts (current liabilities-other)	40,074	37,979
Other*	258,248	240,666
Administered liabilities	**298,322**	**320,323**

The amount of multiple licence fees issued in the current year is approximately $165.2 million (2018: $147.8 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 and the National Heavy Vehicle Regulator).

Refer to Note 27 for further details of the current provision recognised in 2017-18 and extinguished in 2018-19.

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 2019. This assessment indicates there were no Native Title Claims which had a financial impact during the financial year ending 30 June 2019 (2018: 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

i. As at 30 June 2019 under AASB 9

	Note	Category	Carrying amount 2019 $'000
Financial assets			
Class:			
Cash and cash equivalents	8	N/A	1,021,552
Receivables[1]	9	Amortised cost	253,564
Financial assets at fair value	10	Fair value through profit or loss	119,615
Other financial assets	11	Amortised cost	236,021
			1,630,752
Financial liabilities			
Class:			
Payables[2]	17,20	Financial liabilities measured at amortised cost	1,457,410
Borrowings	18	Financial liabilities measured at amortised cost	244,575
			1,701,985

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).

30. Financial instruments (continued)

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

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

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 (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- RMS has transferred substantially all the risks and rewards of the asset; or
- RMS has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When RMS has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where 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.

30. Financial instruments (continued)

(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 TCorp IM Funds 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 2018 and assumes that all other variables remain constant.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through 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, as at fair value through other comprehensive income or available for sale (as at 30 June 2018 under AASB 139). 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.

	2019 $'000		2018 $'000	
	-1%	+1%	-1%	+1%
Net Result	(13,772)	13,772	(8,508)	8,508
Equity	-	-	-	-

30. Financial instruments (continued)

(ii) Other price risk – TCorpIM Funds

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

Fund	Investments	Investment horizon	2019 $ '000	2018 $ '000
Tcorp Medium Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Inflation linked bonds, Fixed interest, Global Credit, High Yield, Multi-Asset	3 years to 7 years	81,475	76,563
TCorpIM Long Term Growth Fund	Cash, Australian shares, International shares, Listed property, Emerging market shares, Emerging markets debt, Bank loans, Fixed interest, Global Credit, High Yield, Multi-Asset	7 years and over	38,140	35,002

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

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

Investment in the TCorpIM Funds limits 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 TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results. A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Funds).

Facility	Change in unit price	2019 $ '000	2018 $ '000
TCorpIM Medium Term Growth fund	+/- 6%	4,889	4,594
TCorpIM Long Term Growth Fund	+/- 13%	4,958	5,250

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 credit losses or 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.

RMS considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, RMS may also consider a financial asset to be in default when internal or external information indicates that RMS is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by RMS.

		Banks $ '000	Government $ '000	Other $ '000	Total $ '000
2019	Cash and cash equivalents	1,021,546	-	6	1,021,552
	Receivables	-	106,861	146,703	253,564
	Other financial assets	-	-	236,021	236,021
	Financial assets at fair value	-	119,615	-	119,615
	Total financial assets	**1,021,546**	**226,476**	**382,730**	**1,630,752**

		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**

(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.

30. Financial instruments (continued)

(ii) Receivables – trade debtors

Accounting policy for impairment of trade debtors and other financial assets under AASB 9

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. All trade debtors are recognised at the amounts receivable at the reporting date.

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. RMS considers GDP and unemployment rates to determine whether adjustment is required to historical loss rates based on expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 365 days past due.

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

	30 June 2019 $000					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	1%	1%	12%	7.1%	63.9%	
Estimated total gross carrying amount at default	16,574	25,760	3,937	4,069	11,374	61,714
Expected credit loss	**1**	**309**	**471**	**288**	**7,265**	**8,334**

	1 July 2018 $000					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	0%	2%	17%	33%	51%	
Estimated total gross carrying amount at default	32,853	14,191	2,585	781	13,527	63,937
Expected credit loss	**1**	**227**	**445**	**259**	**6,902**	**7,834**

Note: The analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 11.

The entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019. Most of the entity's debtors have a AAA credit rating.

30. Financial instruments (continued)

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

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, 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) and past due (2018: $17.3 million) are not considered impaired and together these represented 83.5 per cent of the total trade debtors in 2018. 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).

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

		Past due but not impaired*	Considered impaired*	Total*
		$ '000	$ '000	$ '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

*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 2.11 per cent (2018: 2.58 per cent), while over the year the weighted average interest rate was 2.72 per cent (2018: 2.54 per cent) on a weighted average balance during the year of $535.1 million (2018: $488.1 million). None of these assets are past due or impaired. There were no indicators for impairment on these deposits during the year.

30. Financial instruments (continued)

(e) Fair value

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

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

As at 30 June 2019, RMS has received the full $200 million in concession fees for the extension of the Lane Cove Tunnel service concession. Therefore, the fair value of the Lane Cove Tunnel concession payment is nil (2018: $149.3 million), and the carrying amount is also nil (2018: $146.9 million) (refer to Note 11)

The fair values of the M2 Motorway and Eastern Distributor promissory notes are $132.1 million (2018: $111.5 million) which differs from their carrying amount of $59.3 million (2018: $57.5 million) (refer to Note 11). The M2 Motorway promissory notes are determined using effective interest rate of 10.61 per cent (2018: 10.61 per cent) and Eastern Distributor promissory notes at 10.39 per cent (2018: 10.39 per cent).

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

(f) Fair value recognised in statement of financial position

Management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.
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 2019 $'000	Level 2 2019 $'000	Level 3 2019 $'000	Total 2019 $'000
Financial assets at fair value				
TCorp IM funds	-	119,614	-	**119,614**
	-	**119,614**	**-**	**119,614**
	Level 1 2018 $'000	**Level 2 2018 $'000**	**Level 3 2018 $'000**	**Total 2018 $'000**
Financial assets at fair value				
TCorp IM funds	-	111,565	-	111,565
	-	**111,565**	**-**	**111,565**

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 2019 (2018: none).

The value of the TCorpIM Funds is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds facilities are valued using 'redemption' pricing.

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. Last 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 extreme situations.

Financing arrangements

	2019 $ '000	2018 $ '000
Unrestricted access was available at the Statement of Financial Position date to the come and go facility	-	-
Total facility	-	110,000
Used at Statement of Financial Position date	-	-
Unused at Statement of Financial Position date	**-**	**110,000**

During the current and prior years, there were no defaults on any borrowings. 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.

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. No interest payments were made in 2019. The average rate of interest applied during the prior year was 9.7%.

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
2019	**Payables**								
	Trade creditors	-	112,208	-	-	112,208	112,208	-	-
	Accrued expenses	-	964,706	-	-	964,706	964,705	-	-
	Other payables	-	119,882	-	-	119,882	119,882	-	-
	Personnel services	-	77,523	-	-	77,523	72,294	5,229	-
	Sydney Harbour Tunnel tax liability	-	16,533	-	-	16,533	4,578	11,955	-
	Holding accounts	-	166,557	-	-	166,557	166,557	-	-
	Borrowings								
	Finance leases	7.70	277,614	277,614	-	-	84,545	193,069	-
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	-

*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 $4.5 million (2018: $4.4 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 2018-19 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.
- Property NSW - Property rental payment.
- Insurance for NSW - Insurance payment to and hindsight adjustment received from the Treasury Managed Fund (TMF).
- NSW Treasury Corporation - Investment in T-CorpIM Funds facilities and investment revenue earned from these facilities.
- Service NSW – Front-line service delivery fees.
- Crown Entity – pass through of administered funds collected by RMS
- Various agencies (Including Planning Minsterial Corporation, Sydney Metro and Forestry Corporation of NSW) – Transfers of land to/from RMS
- Various agencies (including Department of Planning and Environment, Landcom, Office of Environment and Heritage and the Department of Justice) - Grants and contributions received.
- Various agencies (including Department of Planning and Environment and Sydney Water Corporation) - Professional services and external works provided/received.

32. Events after the reporting period

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

In the 2019-2020 financial year, RMS owned infrastructure assets that were contributed towards this stage will be derecognised. Subsequently a non-cash prepayment will be recognised and amortised over the service concession period. The estimated value of the assets contributed is $72.1m.

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

End of Audited Financial Statements

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