Annual Report

Transport for NSW

2017-18 • Volume 2

Department of Transport

Consolidated Annual Financial Statements

for the year ended 30 June 2018

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

(a) The accompanying financial statements have been prepared in accordance with:
- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- The requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015; and
- The Financial Reporting Directions issued by the NSW Treasurer under section 9(2) (n) of the Act;

(b) The statements exhibit a true and fair view of the financial position as at 30 June 2018 and financial performance of the Department of Transport and the consolidated entity for the year then ended; and

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

Rodd Staples
Secretary

Date: 19 October 2018

Department of Transport
Statement of comprehensive income
as at 30 June 2018

	Notes	Consolidated Actual 2018 $'000	Consolidated Actual 2017 $'000	Parent Actual 2018 $'000	Parent Actual 2017 $'000
Expenses excluding losses					
Operating expenses					
Employee related expenses	2(a)	2,926,805	2,783,327	778	711
Other operating expenses	2(b)	2,096,451	1,793,272	251	246
Maintenance	2(c)	1,317,908	1,307,285	-	-
Depreciation and amortisation	2(d)	3,513,052	3,157,418	-	-
Grants and subsidies	2(e)	898,123	746,756	-	-
Finance costs	2(f)	345,810	334,815	-	-
Other expenses	2(g)	1,052,870	959,092	-	-
Total expenses excluding losses		**12,151,019**	**11,081,965**	**1,029**	**957**
Revenue					
Appropriation	3(a)	12,262,646	11,088,651	-	-
Sale of goods and services	3(b)	2,286,848	2,108,527	-	-
Investment revenue	3(c)	173,392	155,636	-	-
Retained taxes, fees and fines	3(d)	50,403	28,991	-	-
Grants and contributions	3(e)	3,132,095	2,719,994	251	246
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	54,510	40,425	145	65
Personnel service revenue	3(g)	-	-	633	646
Other revenue	3(h)	391,710	306,368	-	-
Total revenue		**18,351,604**	**16,448,592**	**1,029**	**957**
Gain/(loss) on disposal	4	(136,022)	(31,011)	-	-
Other gains/(losses)	5	(212,424)	(620,514)	-	-
Net result		**5,852,139**	**4,715,102**	**-**	**-**
Other comprehensive income					
Items that may be reclassified subsequently to net result					
Net gains/(losses) in commodity swaps and foreign exchange		10,115	(8,541)	-	-
Items that will not be reclassified to net result					
Net increase/(decrease) in asset revaluation surplus	12	8,529,253	1,449,933	-	-
Remeasurement of defined benefit superannuation schemes	18	49,157	260,727	-	-
Total other comprehensive income		**8,588,525**	**1,702,119**	**-**	**-**
Total comprehensive income		**14,440,664**	**6,417,221**	**-**	**-**

The accompanying notes form part of these financial statements.

Department of Transport
Statement of financial position
as at 30 June 2018

	Notes	Consolidated Actual 2018 $'000	Consolidated Actual 2017 $'000	Parent Actual 2018 $'000	Parent Actual 2017 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	2,493,008	2,250,966	276	348
Receivables	7	1,056,320	892,945	158	93
Inventories	8	31,621	31,876	-	-
Financial assets at fair value	9	115,283	105,154	-	-
Non-current assets held for sale	10	1,644	1,018	-	-
Other financial assets	11	376,887	285,000	-	-
Total current assets		**4,074,763**	**3,566,959**	**434**	**441**
Non-current assets					
Receivables	7	1,453,638	428,919	-	-
Inventories	8	31,062	28,338	-	-
Financial assets at fair value	9	1,693	91	-	-
Other financial assets	11	223,998	391,461	-	-
Property plant & equipment					
Land and buildings	12	4,234,689	4,254,225	-	-
Plant and equipment	12	6,495,077	6,278,188	-	-
Infrastructure systems	12	136,238,739	123,422,560	-	-
Property, plant and equipment	12	146,968,505	133,954,973	-	-
Intangible assets	13	1,676,639	1,624,473	-	-
Other assets	14	4,929,187	3,565,763	-	-
Total non-current assets		**155,284,722**	**139,994,018**	**-**	**-**
Total assets		**159,359,485**	**143,560,977**	**434**	**441**
LIABILITIES					
Current liabilities					
Payables	16	2,860,099	2,524,608	240	247
Borrowings	17	263,016	416,448	-	-
Employee benefits	18	772,203	771,580	194	194
Other provisions	19	70,591	39,203	-	-
Other liabilities	20	459,901	432,529	-	-
Financial liabilities at fair value	21	679	3,830	-	-
Total current liabilities		**4,426,489**	**4,188,198**	**434**	**441**
Non-current liabilities					
Borrowings	17	5,924,666	5,712,046	-	-
Employee benefits	18	1,041,558	1,089,882	-	-
Other provisions	19	53,570	35,307	-	-
Other liabilities	20	824,658	828,504	-	-
Financial liabilities at fair value	21	1,510	1,471	-	-
Total non-current liabilities		**7,845,962**	**7,667,210**	**-**	**-**
Total liabilities		**12,272,451**	**11,855,408**	**434**	**441**
Net assets		**147,087,034**	**131,705,569**	**-**	**-**
EQUITY					
Accumulated funds		110,956,937	105,006,075	-	-
Reserves		31,407,083	23,183,200	-	-
Contributed capital		4,723,014	3,516,294	-	-
Total equity		**147,087,034**	**131,705,569**	**-**	**-**

The accompanying notes form part of these financial statements.

Department of Transport
Statement of changes in equity
for the year ended 30 June 2018

Consolidated	Notes	Accumulated funds $ '000	Asset revaluation surplus $ '000	Other reserves $ '000	Contributed Capital $ '000	Total equity $ '000
Balance at 1 July 2017		**105,006,075**	**23,191,581**	**(8,381)**	**3,516,294**	**131,705,569**
Net result for the year		**5,852,139**	**-**	**-**	**-**	**5,852,139**
Other comprehensive income						
Net gains/(losses) in commodity swaps and foreign exchange		-	-	10,115	-	10,115
Net increase/(decrease) in asset revaluation surplus	12	-	8,529,253	-	-	8,529,253
Remeasurement of defined benefit superannuation schemes	18	49,157	-	-	-	49,157
Total other comprehensive income		**49,157**	**8,529,253**	**10,115**	**-**	**8,588,525**
Total comprehensive income for the year		**5,901,296**	**8,529,253**	**10,115**	**-**	**14,440,664**
Transactions with owners in their capacity as owners						
Transfers to/from reserves to accumulated funds		315,485	(315,485)	-	-	-
Equity transfers	29	(265,919)	-	-	-	(265,919)
Capital contribution from NSW Treasury		-	-	-	1,206,720	1,206,720
Balance at 30 June 2018		**110,956,937**	**31,405,349**	**1,734**	**4,723,014**	**147,087,034**
Balance at 1 July 2016		**91,292,209**	**22,025,180**	**160**	**1,847,053**	**115,164,602**
Restatement of infrastructure assets	27	8,503,504	-	-	-	8,503,504
Restated balance at 1 July 2016		**99,795,713**	**22,025,180**	**160**	**1,847,053**	**123,668,106**
Net result for the year		**4,715,102**	**-**	**-**	**-**	**4,715,102**
Other comprehensive income						
Net gains/(losses) in commodity swaps and foreign exchange		-	-	(8,541)	-	(8,541)
Net increase/(decrease) in asset revaluation surplus	12	-	1,449,933	-	-	1,449,933
Remeasurement of defined benefit superannuation schemes	18	260,727	-	-	-	260,727
Total other comprehensive income		**260,727**	**1,449,933**	**(8,541)**	**-**	**1,702,119**
Total comprehensive income for the year		**4,975,829**	**1,449,933**	**(8,541)**	**-**	**6,417,221**
Transactions with owners in their capacity as owners						
Transfers to/from reserves to accumulated funds		281,748	(281,748)	-	-	-
Equity transfers	29	16,155	-	-	-	16,155
Capital contribution from NSW Treasury		-	-	-	1,669,241	1,669,241
Recycling of equity previously recognised		(63,370)	(1,784)	-	-	(65,154)
Balance at 30 June 2017		**105,006,075**	**23,191,581**	**(8,381)**	**3,516,294**	**131,705,569**

The accompanying notes form part of these financial statements.

Department of Transport
Statement of changes in equity
for the year ended 30 June 2018

Parent	Accumulated funds $ '000	Asset revaluation surplus $ '000	Other reserves $ '000	Total equity $ '000
Balance at 1 July 2017	**-**	**-**	**-**	**-**
Net result for the year	**-**	**-**	**-**	**-**
Other comprehensive income				
Net gains/(losses) in commodity swaps and foreign exchange	-	-	-	-
Net increase/(decrease) in asset revaluation surplus	-	-	-	-
Remeasurement of defined benefit superannuation schemes	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**
Transactions with owners in their capacity as owners				
Transfers to/from reserves to accumulated funds	-	-	-	-
Equity transfers	-	-	-	-
Balance at 30 June 2018	**-**	**-**	**-**	**-**
Balance at 1 July 2016	**-**	**-**	**-**	**-**
Net result for the year	**-**	**-**	**-**	**-**
Other comprehensive income				
Net gains/(losses) in commodity swaps and foreign exchange	-	-	-	-
Net increase/(decrease) in asset revaluation surplus	-	-	-	-
Remeasurement of defined benefit superannuation schemes	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**
Transactions with owners in their capacity as owners				
Transfers to/from reserves to accumulated funds	-	-	-	-
Equity transfers	-	-	-	-
Balance at 30 June 2017	**-**	**-**	**-**	**-**

The accompanying notes form part of these financial statements.

Department of Transport
Statement of cash flows
for the year ended 30 June 2018

	Notes	Consolidated Actual 2018 $'000	Consolidated Actual 2017 $'000	Parent Actual 2018 $'000	Parent Actual 2017 $'000
Cash flows from operating activities					
Payments					
Cash transfers to the Consolidated Fund		(46,767)	-	-	-
Employee related		(2,874,766)	(2,980,407)	(633)	(588)
Grants and subsidies		(696,515)	(699,025)	-	-
Finance costs		(373,601)	(333,647)	-	-
Payments to suppliers		(4,655,392)	(4,712,721)	(258)	(25)
Total payments		**(8,647,041)**	**(8,725,800)**	**(891)**	**(613)**
Appropriation		12,262,646	11,135,418	-	-
Sale of goods and services		2,775,116	2,697,192	-	-
Retained taxes, fees and fines		50,403	28,991	-	-
Interest received		45,041	26,134	-	-
Grants and contributions		3,132,095	2,759,162	-	-
Personnel services		-	-	819	657
Total receipts		**18,265,301**	**16,646,897**	**819**	**657**
Net cash flows from operating activities	24	**9,618,260**	**7,921,097**	**(72)**	**44**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment, intangible assets and other assets		202,270	117,712	-	-
Purchases of property, plant and equipment, intangible assets and other assets		(10,831,043)	(9,841,716)	-	-
Proceeds/(purchase) of financial assets		55,000	(285,000)	-	-
Other		46,903	(3,921)	-	-
Net cash flows from investing activities		**(10,526,870)**	**(10,012,925)**	**-**	**-**
Cash flows from financing activities					
Proceeds from borrowings and advances		111,651	78,815	-	-
Repayment of borrowings and advances		(105,331)	(122,054)	-	-
Capital contribution from NSW Treasury		1,206,720	1,669,241	-	-
Payment of finance lease liabilities		(53,680)	(47,117)	-	-
Net cash flows from financing activities		**1,159,360**	**1,578,885**	**-**	**-**
Net increase / (decrease) in cash		**250,750**	**(512,943)**	**(72)**	**44**
Opening cash and cash equivalents		2,250,966	2,756,042	348	304
Cash and cash equivalents transferred (out)/in as a result of administrative restructure		(8,708)	7,867	-	-
Closing cash and cash equivalents	6	**2,493,008**	**2,250,966**	**276**	**348**

The accompanying notes form part of these financial statements.

Department of Transport
Service group statements
for the year ended 30 June 2018

Consolidated Expenses and Income	Rail services 2018 $'000	Rail services 2017 $'000	Buses and related services 2018 $'000	Buses and related services 2017 $'000	Road and maritime services 2018 $'000	Road and maritime services 2017 $'000	Ferry services 2018 $'000	Ferry services 2017 $'000	Integrated transport services 2018 $'000	Integrated transport services 2017 $'000	Total 2018 $'000	Total 2017 $'000
Expenses excluding losses												
Operating Expenses												
Employee related expenses	1,350,958	1,389,971	-	-	-	-	-	-	1,575,847	1,393,356	2,926,805	2,783,327
Other operating expenses	667,005	483,126	109,410	111,865	860,036	602,974	476	300	459,524	595,007	2,096,451	1,793,272
Maintenance	837,433	787,772	34,529	44,995	405,810	438,180	420	166	39,716	36,172	1,317,908	1,307,285
Depreciation and amortisation	1,548,475	1,260,626	135,170	121,315	1,632,300	1,638,953	14,840	11,807	182,267	124,717	3,513,052	3,157,418
Grants and subsidies	4,762	4,282	142,142	135,056	683,271	443,517	-	-	67,948	163,901	898,123	746,756
Finance costs	240,140	222,744	65,229	60,755	25,583	36,108	-	-	14,858	15,208	345,810	334,815
Other expenses	38,049	33,222	931,563	857,435	274	-	82,984	68,435	-	-	1,052,870	959,092
Total expenses excluding losses	**4,686,822**	**4,181,743**	**1,418,043**	**1,331,421**	**3,607,274**	**3,159,732**	**98,720**	**80,708**	**2,340,160**	**2,328,361**	**12,151,019**	**11,081,965**
Revenue												
Appropriation	3,579,154	3,217,198	1,434,951	1,692,491	6,845,266	4,981,811	91,551	-	311,724	1,197,151	12,262,646	11,088,651
Sale of goods and services	1,243,635	1,121,135	319,296	312,758	675,489	625,407	-	-	48,428	49,227	2,286,848	2,108,527
Investment revenue	61,404	51,917	2,065	1,226	95,100	86,481	6,790	6,509	8,033	9,503	173,392	155,636
Retained taxes, fees and fines	8,436	11,784	218	291	41,530	16,916	-	-	219	-	50,403	28,991
Grants and contributions	1,768,321	1,832,947	200,800	25,400	1,010,788	718,403	-	36,525	152,186	106,719	3,132,095	2,719,994
Acceptance by the Crown Entity of employee benefits and other liabilities	-	-	-	-	-	-	-	-	54,510	40,425	54,510	40,425
Other revenue	56,909	6,639	-	-	328,006	294,736	5,196	4,993	1,599	-	391,710	306,368
Total revenue	**6,717,859**	**6,241,620**	**1,957,330**	**2,032,166**	**8,996,179**	**6,723,754**	**103,537**	**48,027**	**576,699**	**1,403,025**	**18,351,604**	**16,448,592**
Gain/(loss) on disposal	(115,183)	(152,789)	3,441	2,719	2,895	127,939	-	-	(27,175)	(8,880)	(136,022)	(31,011)
Other gains/(losses)	(55,089)	378	-	(169,022)	(594,961)	(452,761)	(3,840)	870	441,466	21	(212,424)	(620,514)
Net result	**1,860,765**	**1,907,466**	**542,728**	**534,442**	**4,796,839**	**3,239,200**	**977**	**(31,811)**	**(1,349,170)**	**(934,195)**	**5,852,139**	**4,715,102**
Other comprehensive income												
Net gains/(losses) in commodity swaps and foreign exchange	10,115	(8,541)	-	-	-	-	-	-	-	-	10,115	(8,541)
Net increase/(decrease) in asset revaluation surplus	1,236,542	685,180	18,393	15,196	7,274,318	748,667	-	890	-	-	8,529,253	1,449,933
Remeasurement of defined benefit superannuation schemes	42,563	226,619	-	-	-	-	-	-	6,594	34,108	49,157	260,727
Total other comprehensive income	**1,289,220**	**903,258**	**18,393**	**15,196**	**7,274,318**	**748,667**	**-**	**890**	**6,594**	**34,108**	**8,588,525**	**1,702,119**
Total comprehensive income	**3,149,985**	**2,810,724**	**561,121**	**549,638**	**12,071,157**	**3,987,867**	**977**	**(30,921)**	**(1,342,576)**	**(900,087)**	**14,440,664**	**6,417,221**

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

Department of Transport
Service group statements
for the year ended 30 June 2018

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
Administered expenses and income	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Administered expenses												
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	-	-	5,892	12,749	5,892	12,749
Administered expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,892**	**12,749**	**5,892**	**12,749**
Administered income												
Transfer receipts - taxes, fees and fines	-	-	-	-	3,668,529	3,509,944	-	-	7,683	12,577	3,676,212	3,522,521
Other administered activities	-	-	-	-	-	55,034	-	-	-	-	-	55,034
Administered income	**-**	**-**	**-**	**-**	**3,668,529**	**3,564,978**	**-**	**-**	**7,683**	**12,577**	**3,676,212**	**3,577,555**
Administered income less expenses	**-**	**-**	**-**	**-**	**3,668,529**	**3,564,978**	**-**	**-**	**1,791**	**(172)**	**3,670,320**	**3,564,806**

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

Department of Transport
Service group statements
for the year ended 30 June 2018

Consolidated	**Rail services**		**Buses and related services**		**Road and maritime services**		**Ferry services**		**Integrated transport services**		**Total**	
Assets and liabilities	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets												
Current assets												
Cash and cash equivalents	707,040	650,910	65,984	35,422	886,836	748,652	37,754	46,996	795,394	768,986	2,493,008	2,250,966
Receivables	176,589	249,244	7,000	3,564	560,260	449,767	-	1,636	312,471	188,734	1,056,320	892,945
Inventories	17,778	16,211	9,081	9,988	4,762	5,677	-	-	-	-	31,621	31,876
Financial assets at fair value	3,276	277	-	-	111,565	104,857	-	-	442	20	115,283	105,154
Non-current assets held for sale	24	24	499	719	1,121	275	-	-	-	-	1,644	1,018
Other financial assets	200,000	200,000	-	-	146,887	-	-	-	30,000	85,000	376,887	285,000
Total current assets	**1,104,707**	**1,116,666**	**82,564**	**49,693**	**1,711,431**	**1,309,228**	**37,754**	**48,632**	**1,138,307**	**1,042,740**	**4,074,763**	**3,566,959**
Non-current assets												
Receivables	26,822	32,260	-	-	1,426,816	396,659	-	-	-	-	1,453,638	428,919
Inventories	31,062	28,338	-	-	-	-	-	-	-	-	31,062	28,338
Financial assets at fair value	1,620	70	-	-	-	-	-	-	73	21	1,693	91
Other financial assets	-	-	-	-	222,992	390,532	-	-	1,006	929	223,998	391,461
Land and buildings	213,543	264,978	299,317	314,381	3,650,009	3,616,993	8,946	9,345	62,874	48,528	4,234,689	4,254,225
Plant and equipment	4,790,163	4,639,155	950,481	904,886	135,488	110,390	92,723	95,644	526,222	528,113	6,495,077	6,278,188
Infrastructure systems	44,692,320	44,395,447	121,131	168,716	85,596,981	78,803,047	443	5,237	5,827,864	50,113	136,238,739	123,422,560
Property, plant and equipment	**49,696,026**	**49,299,580**	**1,370,929**	**1,387,983**	**89,382,478**	**82,530,430**	**102,112**	**110,226**	**6,416,960**	**626,754**	**146,968,505**	**133,954,973**
Intangible assets	592,408	682,212	7,096	34,246	156,494	169,166	26,887	31,244	893,754	707,605	1,676,639	1,624,473
Other assets	2,853,770	1,730,854	-	-	2,075,417	1,834,909	-	-	-	-	4,929,187	3,565,763
Total non-current assets	**53,201,708**	**51,773,314**	**1,378,025**	**1,422,229**	**93,264,197**	**85,321,696**	**128,999**	**141,470**	**7,311,793**	**1,335,309**	**155,284,722**	**139,994,018**
Total assets	**54,306,415**	**52,889,980**	**1,460,589**	**1,471,922**	**94,975,628**	**86,630,924**	**166,753**	**190,102**	**8,450,100**	**2,378,049**	**159,359,485**	**143,560,977**

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

Department of Transport
Service group statements
for the year ended 30 June 2018

Consolidated	Rail services		Buses and related services		Road and maritime services		Ferry services		Integrated transport services		Total	
Assets and liabilities (cont'd)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities												
Current liabilities												
Payables	372,792	413,445	23,889	17,885	1,274,207	1,116,829	195	5,373	1,189,016	971,076	2,860,099	2,524,608
Borrowings	30,000	205,866	107,272	110,991	60,558	53,680	-	-	65,186	45,911	263,016	416,448
Employee benefits	479,873	485,701	-	-	-	-	-	-	292,330	285,879	772,203	771,580
Other provisions	34,793	26,840	3,003	1,219	16,500	7,108	-	-	16,295	4,036	70,591	39,203
Other liabilities	11,858	10,074	146	139	270,960	223,042	3,684	2,939	173,253	196,335	459,901	432,529
Financial liabilities at fair value	464	2,497	-	-	-	-	-	-	215	1,333	679	3,830
Total current liabilities	**929,780**	**1,144,423**	**134,310**	**130,234**	**1,622,225**	**1,400,659**	**3,879**	**8,312**	**1,736,295**	**1,504,570**	**4,426,489**	**4,188,198**
Non-current liabilities												
Borrowings	4,510,995	4,267,519	869,141	817,730	244,575	305,133	-	-	299,955	321,664	5,924,666	5,712,046
Employee benefits	854,495	890,421	-	-	-	-	-	-	187,063	199,461	1,041,558	1,089,882
Other provisions	10,656	16,397	274	435	26,103	10,605	-	-	16,537	7,870	53,570	35,307
Other liabilities	189,995	176,338	-	-	634,618	652,120	-	-	45	46	824,658	828,504
Financial liabilities at fair value	5	1,267	-	-	-	-	-	-	1,505	204	1,510	1,471
Total non-current liabilities	**5,566,146**	**5,351,942**	**869,415**	**818,165**	**905,296**	**967,858**	**-**	**-**	**505,105**	**529,245**	**7,845,962**	**7,667,210**
Total liabilities	**6,495,926**	**6,496,365**	**1,003,725**	**948,399**	**2,527,521**	**2,368,517**	**3,879**	**8,312**	**2,241,400**	**2,033,815**	**12,272,451**	**11,855,408**
Net assets	**47,810,489**	**46,393,615**	**456,864**	**523,523**	**92,448,107**	**84,262,407**	**162,874**	**181,790**	**6,208,700**	**344,234**	**147,087,034**	**131,705,569**

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

1. Summary of significant accounting policies

(a) Department of Transport – Reporting entity

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

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

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

On 1 July 2017 Residual Transport Corporation (RTC) was established under the Transport Administration Amendment (Transport Entities) Act 2017. Transport for NSW has determined that RTC is an entity under its control from 1 July 2017 for financial reporting purposes. The purpose of RTC is to hold, manage, operate and maintain transport assets. As at 30 June 2018, no assets have been transferred to RTC and there have been no transactions in this entity since it was established.

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

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

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

These consolidated financial statements of Department of Transport for the year ended 30 June 2018 were authorised for issue by the Secretary on the date the accompanying statement was signed.

(b) Principles of consolidation

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

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

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

(c) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015; and
- Financial Reporting Directions mandated by the NSW Treasurer.

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

(d) Critical accounting estimates, judgements and assumptions

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

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

Significant judgements, estimates and assumptions made by management in the preparation of the consolidated financial statements are outlined below:
Property, plant and equipment - note 12.
Other assets - note 14 .
Employee benefits - note 18.

(e) Statement of compliance

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

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

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

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

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

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

(g) Business combinations

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

The consideration transferred by the consolidated entity to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred and liabilities incurred, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The consolidated entity recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred and (b) the recognised amount of any non-controlling interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Goodwill acquired in a business combination is not amortised. Instead, it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

(h) Comparative information

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

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

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

Rail services	– Rail Corporation New South Wales – Sydney Trains – NSW Trains – Transport for NSW manages light rail services, the country rail network and the Sydney Metro North West and City South West Projects
Buses and related services	– State Transit Authority of NSW – Transport for NSW manages bus transport services in the metropolitan, outer metropolitan and rural and regional areas of New South Wales
Road and maritime services	– Roads and Maritime Services
Ferry services	– Sydney Ferries – Transport for NSW manages ferry services performed by private operators
Integrated transport services	– Department of Transport – Transport for NSW – Transport Service of New South Wales

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

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

Integrated transport services activity is responsible for:

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

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

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

(i) Effective for the first time in 2018

The accounting policies applied in 2018 are consistent with those of the previous financial year with the exception of AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107. The adoption of AASB 2016-2 resulted in additional disclosures in the notes to the financial statements. AASB 2016-2 amends AASB 107 Statement of Cash Flows to require Tier 1 reporting entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

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

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

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

- AASB 16 Leases will apply to annual reporting periods beginning on or after 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The application of this standard is expected to have a significant transitional impact as a result of operating leases, except those that are short term and low value leases, being brought onto the balance sheet.
- AASB 15 Revenue from Contracts with Customers, including the amendments AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8 will apply to annual reporting periods beginning on or after 1 January 2019. This standard is expected to impact the timing of recognition of certain revenue given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine revenue recognition.
- AASB 1058 Income of Not-for-profit Entities will apply to annual reporting periods beginning on or after 1 January 2019. The introduction of AASB 1058 results in the amendment of AASB 1004 Contributions: many of the AASB 1004 requirements have been revised and relocated to AASB 1058. The initial application of this standard is expected to defer the recognition of income in some circumstances.
- AASB 1059 Service Concession Arrangements: Grantors will apply to annual reporting periods beginning on or after 1 January 2019. The standard requires the grantor to recognise a service concession asset, at current replacement cost, in a service concession arrangement where it controls the asset. A corresponding liability is also recognised depending on the nature of the consideration exchanged. This standard is expected to have a significant transitional impact as a result of Public Private Partnership arrangements with private sector operators.

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

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

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

Standard	**Applicable to annual reporting periods beginning on or after**
AASB 9 Financial Instruments	1 January 2018
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	1 January 2019
AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2019

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

2. Expenses excluding losses

(a) Employee related expenses

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Salaries and wages (including annual leave)	2,342,639	2,270,904	564	581
Superannuation - defined benefit plans	67,173	65,075	-	-
Superannuation - defined contribution plans	176,586	171,550	34	26
Long service leave	86,473	36,329	145	65
Workers' compensation insurance	27,201	27,284	3	2
Payroll tax and fringe benefit tax	155,664	148,098	32	37
Redundancy payments	69,960	62,356	-	-
Other	1,109	1,731	-	-
Employee related expenses	**2,926,805**	**2,783,327**	**778**	**711**

Employee related costs of $566.2 million (2017: $586.7 million) (parent entity: nil (2017: nil)) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

2017 had $181.4 million skill hire contractor expenses (note 2 (a)) reclassified to other contractors (note 2(b)).

2. Expenses excluding losses (cont'd)

(b) Other operating expenses

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Auditor's remuneration - audit of financial statements	2,717	2,830	251	246
Advertising and marketing	52,788	45,461	-	-
Cashback refund - M4/M5	114,208	108,848	-	-
Cleaning waste and pest control	44,669	39,479	-	-
Communications	33,252	51,739	-	-
Consultants	14,210	9,476	-	-
Corporate management fees	178,063	-	-	-
Electricity, gas and water	147,930	82,067	-	-
Fleet hire and leasing charges including access fees	56,056	61,849	-	-
Fuel costs	67,628	68,585	-	-
General expenses	194,477	116,228	-	-
Information technology	280,976	225,425	-	-
Insurance	60,276	61,878	-	-
Internal audit fees	1,220	905	-	-
Land and buildings remediation	2,268	-	-	-
Legal services	27,289	16,843	-	-
Materials	43,011	49,559	-	-
Office expenses	59,158	57,093	-	-
Other contractors	455,554	551,106	-	-
Payments to councils and external bodies	29,473	17,712	-	-
Operating lease rental expense	77,195	80,470	-	-
Security costs	24,848	25,862	-	-
Sydney Harbour Tunnel operating expenses	33,918	34,346	-	-
Taxes, rates and related charges	7,690	6,348	-	-
Travel expenses	14,484	13,912	-	-
Royalties and commissions	46,048	39,172	-	-
Special number plates concession fees	27,045	26,079	-	-
Other operating expenses	**2,096,451**	**1,793,272**	**251**	**246**

General expenses of $194.5 million (2017: $116.2 million) includes bus services for rail replacement, recruitment, rail freight and haulage, uniforms, training and development expenses.

Corporate management fees of $178.1 million (2017: nil) relate to fees for vehicle registration services provided by Service NSW to Roads and Maritime Services that commenced in the year ended 30 June 2018. In the prior year, these services were performed by Roads and Maritime Services and the costs relating to them were recognised in notes 2(a) and 2(b) in a number of different expense categories.

2017 had $181.4 million skill hire contractor expenses (note 2 (a)) and $41.0 million maintenance buses and ferries (note 2 (c)) reclassified to other contractors (note 2(b)).

2. Expenses excluding losses (cont'd)

(c) Maintenance

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
General	66,094	79,118	-	-
Buses and ferries	33,010	33,829	-	-
Rail infrastructure systems	472,358	425,845	-	-
Trains	362,284	361,187	-	-
Road and maritime infrastructure system	384,162	407,306	-	-
Maintenance	**1,317,908**	**1,307,285**	**-**	**-**
Reconciliation - Total maintenance				
Maintenance expense - contracted labour and other (non-employee related), as above	1,317,908	1,307,285	-	-
Employee related maintenance expense included in note 2(a)	408,514	450,543	-	-
Total maintenance expense	**1,726,422**	**1,757,828**	**-**	**-**

2017 had $41.0 million maintenance buses and ferries (note 2 (c)) reclassified to other contractors (note 2(b)).

(d) Depreciation and amortisation

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Infrastructure systems:					
Road and maritime infrastructure systems		1,559,430	1,569,172	-	-
Rail infrastructure systems		1,256,878	953,509	-	-
Buildings:					
Buildings		31,606	28,753	-	-
Plant and equipment:					
Rolling stock		230,083	244,636	-	-
Ferries		11,114	8,232	-	-
Buses		45,837	39,148	-	-
Plant and equipment		99,349	95,657	-	-
Finance leased buses		82,125	74,582	-	-
Depreciation	12	**3,316,422**	**3,013,689**	**-**	**-**
Amortisation:					
Intangible assets		196,630	143,729	-	-
Amortisation	13	**196,630**	**143,729**	**-**	**-**
Depreciation and amortisation		**3,513,052**	**3,157,418**	**-**	**-**

2. Expenses excluding losses (cont'd)

(e) Grants and subsidies

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Taxi Transport Subsidy Scheme	40,693	37,416	-	-
Community transport groups	79,465	79,188	-	-
Private Vehicle Conveyance	21,985	18,453	-	-
Carparks and interchanges	4,762	4,281	-	-
Grants to local councils - maintenance of transport infrastructure	422,018	359,339	-	-
Grants to local councils - transfer of roads and bridges	199,364	40,678	-	-
National transport regulators	10,020	12,686	-	-
Road safety grant to NSW Police	26,529	29,086	-	-
Others	50,587	30,549	-	-
National Heavy Vehicle Regulator	42,700	42,700	-	-
Point to point assistance package[1]	-	92,380	-	-
Grants and subsidies	**898,123**	**746,756**	**-**	**-**

[1]Point to point assistance was provided to taxi licence holders in 2017 following the NSW Government's reforms to the taxi hire and car hire industry.

(f) Finance costs

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Finance lease interest charges	253,158	238,686	-	-
Interest expenses on NSW TCorp borrowings	91,981	87,532	-	-
Interest expense on non-current provisions and liabilities	671	1,883	-	-
Other finance costs	-	6,714	-	-
Finance costs	**345,810**	**334,815**	**-**	**-**

There were no finance costs capitalised by either the consolidated entity or the parent in property, plant and equipment and intangible assets (computer systems) in the current or prior year.

(g) Other expenses

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Bus contract payments - metropolitan and outer metro bus operators	525,075	458,795	-	-
Bus contract payments - rural and regional bus operators	393,354	384,881	-	-
Major events - hire of bus and rail services	5,317	5,518	-	-
Ferry contract payments	82,980	67,817	-	-
Light rail contract payments	38,042	33,218	-	-
Nightride bus services	8,102	8,863	-	-
Other expenses	**1,052,870**	**959,092**	**-**	**-**

2. Expenses excluding losses (cont'd)

Recognition and measurement

(i) Employee related expenses

Employee related expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium, payroll tax, fringe benefits tax and redundancies.

For further details on the recognition and measurement of employee related expenses refer to employee benefits note 18.

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

(ii) Other operating expenses and maintenance

Other operating expenses generally represent the day-to-day running costs incurred in the normal operations of the consolidated entity. The recognition and measurement policy for non-employee provision expenses is detailed in note 19.

Maintenance costs relate principally to rail, road and maritime infrastructure systems and do not include employee-related expenses (refer also to note 12(ix)).

(iii) Grants and subsidies

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

(iv) Borrowing costs

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

(v) Insurance

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

(vi) Other expenses

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

3. Revenue

Summary of compliance with financial directives

(a) Appropriations

	Notes	Consolidated 2018 $'000 Appropriation	Consolidated 2018 $'000 Expenditure	Consolidated 2017 $'000 Appropriation	Consolidated 2017 $'000 Expenditure
Original budget per Appropriation Act/expenditure		12,766,708	12,262,646	11,477,595	11,088,651
Transfers to/from another entity (s27 of Appropriation Act)		(5,000)	-	(67,700)	-
Total appropriations/ expenditure/ net claim on Consolidated Fund (includes transfer payments)		**12,761,708**	**12,262,646**	**11,409,895**	**11,088,651**
Appropriation drawn down			12,262,646		11,135,418
Liability to Consolidated Fund*	20		**-**		**(46,767)**

* The liability to Consolidated Fund represents the difference between the “Amount drawn down against appropriation” and the “Total expenditure/net claim on Consolidated Fund”.

	Consolidated 2018 $'000	Consolidated 2017 $'000
Appropriation (per Statement of comprehensive income)	**12,262,646**	**11,088,651**
Comprising:		
Recurrent appropriations	10,523,134	9,101,016
Capital appropriations	1,739,512	1,987,635
	12,262,646	**11,088,651**

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

(b) Sale of goods and services

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Passenger service revenue	1,291,126	1,192,090	-	-
Toll revenue including E-tag	162,862	150,261	-	-
Number plates	149,628	141,445	-	-
Fees earned from road and maritime infrastructure assets	72,439	71,737	-	-
Works and services including construction contract revenue	64,403	32,494	-	-
Third party insurance data access charges	5,183	3,638	-	-
Advertising	61,494	60,633	-	-
Publications	8,991	8,190	-	-
Fees for services rendered including salary recoupments	185,294	190,755	-	-
Access fees	171,887	156,370	-	-
Other	113,541	100,914	-	-
Sale of goods and services	**2,286,848**	**2,108,527**	**-**	**-**

Other revenue of $113.5 million (2017: $100.9 million) includes commissions, catering, sale of scrap, cost recovery from other states for running rail services and asset maintenance works for external parties.

3. Revenue (cont'd)

(c) Investment revenue

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Rental Income	94,899	92,199	-	-
NSW TCorp Hour-Glass Investment facilities at fair value	6,708	7,339	-	-
Interest income from financial assets not at fair value	53,490	40,028	-	-
Interest on finance lease receivables	1,539	1,738	-	-
Amortisation of zero interest Sydney Harbour Tunnel loan	10,532	8,218	-	-
Ferry lease revenue	6,224	6,114	-	-
Investment revenue	**173,392**	**155,636**	**-**	**-**

Rental income related to other properties which are primarily held to support the core transport functions of the consolidated entity. The leasing of parts of these properties ($94.9 million (2017: $92.2 million)) is therefore, incidental to the core function of the consolidated entity. Accordingly, these properties are reported as property, plant and equipment (note 12) in the Statement of financial position.

(d) Retained taxes, fees and fines

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Fines	24,993	25,867	-	-
Insurance claims and fees	25,410	3,124	-	-
Retained taxes, fees and fines	**50,403**	**28,991**	**-**	**-**

(e) Grants and contributions

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Community transport grants	71,732	71,530	-	-
NSW government agencies - others (non-transport)	270,477	80,690	-	-
Private firms and individuals	10,259	16,099	-	-
Transport entities	-	-	251	246
Crown Entity	2,777,580	2,539,282	-	-
Local councils	2,026	2,229	-	-
Other government agencies	21	10,164	-	-
Grants and contributions	**3,132,095**	**2,719,994**	**251**	**246**

Community transport grants of $71.7 million (2017: $71.5 million) represent grants received from the Department of Family and Community Services for the Community Transport Program funding scheme.

Local council grants of $2.0 million (2017: $2.2 million) include roads and bridges transferred to the consolidated entity (fair value: 2018: nil; 2017: $0.9 million).

Grants of $2,777.6 million (2017: $2,593.3 million) from the Crown Entity were provided for: Sydney Metro City and Southwest project funded by Restart NSW $1,484.7 million (2017: $1,734.5 million), Roads and Maritime Services capital program $889.7 million (2017: $616.5 million), Northern Beaches B-line project $200.8 million (2017: $25.4 million), Parramatta Light Rail $123.6 million (2017: $98.2 million), redundancies $67.4 million (2017: $64.7 million) and other projects $11.3 million (2017: nil).

3. Revenue (cont'd)

(e) Grants and contributions (cont' d)

Other NSW Government grants of $270.5 million (2017: $80.7 million) include a capital contribution of $160.0 million (2017: nil) from Urban Growth NSW Development Corporation for the Sydney Metro City & South West project and $88.3 million (2017: $35.3 million) of Natural Disaster local council recoveries from the Office of Emergency Management.

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

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Superannuation - defined benefit	13,028	16,876	-	-
Long service leave	40,691	22,623	145	65
Payroll tax	791	926	-	-
Acceptance by the Crown Entity of employee benefits and other liabilities	**54,510**	**40,425**	**145**	**65**

(g) Personnel service revenue

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Fee for personnel services	-	-	633	646
Personnel service revenue	**-**	**-**	**633**	**646**

(h) Other revenue

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Value of emerging interests of private sector provided infrastructure	14	260,439	240,050	-	-
Amortisation of deferred revenue on private sector provided		19,030	19,030	-	-
M2 and Eastern Distributor promissory notes		5,000	5,459	-	-
Recognition of assets[1]		100,750	34,014	-	-
Other		6,491	7,815	-	-
Other revenue		**391,710**	**306,368**	**-**	**-**

[1] Recognition of assets $100.7 million (2017: $34.0 million) includes the air space stratum above Wynyard Walk on Clarence Street that was recognised as a right of use intangible asset for the first time in 2018. The asset was subsequently divested in October 2017 for a consideration of $49.7 million to the private sector who acquired use of the airspace for a period of 99 years. The fair value of the asset recognised by the consolidated entity was equivalent to the consideration received.

3. Revenue (cont'd)

Recognition and measurement

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

(i) Parliamentary appropriations and contributions

Parliamentary appropriations and contributions are generally recognised as income when the consolidated entity obtains control over the assets comprising the appropriations/contributions. Control over appropriations/contributions is normally obtained upon the receipt of cash. At the end of the financial year unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund in the next financial year. The liability is disclosed under other liabilities (note 20).

(ii) Sale of goods and services

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

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

(iii) Retained taxes, fines and fees

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

(iv) Investment revenue

Interest revenue on cash and cash equivalents and financial assets at fair value through profit or loss are recognised in accordance with AASB 139 Financial Instruments: Recognition and Measurement. Rental revenue is recognised in accordance with AASB 117 Leases on a straight-line basis over the lease term. Royalty revenue is recognised in accordance with AASB 118 Revenue on an accrual basis in accordance with the substance of the relevant agreement.

(v) Grants and contributions receivable

Grants and contributions comprising mainly cash and in kind contributions are recognised as revenues when control passes to the consolidated entity and the contractual obligations have been satisfied. In kind contributions (e.g. roads and bridges from local councils) are measured at fair value on transfer and recognised as property, plant and equipment (note 12).

(vi) Other revenue

Other revenue includes mainly the value of the emerging rights to receive private sector provided infrastructure. The non-cash revenue is also recognised as an asset (note 14).

4. Gain/(loss) on disposal

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Proceeds from asset sale		90,400	3,290	-	-
Net carrying amount of property, plant and equipment disposed	12	(139,340)	(170,768)	-	-
Net carrying amount of intangible assets disposed	13	(84,931)	(1,697)	-	-
Net carrying amount of receivables disposed		(5,228)	-	-	-
Gain/(loss) on disposal of non-current assets held for sale		3,077	138,164	-	-
Gain/(loss) on disposal		**(136,022)**	**(31,011)**	**-**	**-**

5. Other gains/(losses)

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Revaluation increment/(decrement)	12	(3,586)	(354,471)	-	-
Impairment	12	(198,594)	(262,709)	-	-
Property, plant and equipment		**(202,180)**	**(617,180)**	**-**	**-**
Allowance for impairment of receivables	7	(7,689)	(3,171)	-	-
Receivables		**(7,689)**	**(3,171)**	**-**	**-**
Impairment reversals/(losses)	13	(1,216)	(164)	-	-
Realised gains/(losses) on financial instruments		166	1	-	-
Fair value gains/(losses) on financial instruments		(1,505)	-	-	-
Other		**(2,555)**	**(163)**	**-**	**-**
Other gains/(losses)		**(212,424)**	**(620,514)**	**-**	**-**

6. Cash and cash equivalents

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Cash at bank and on hand	2,426,317	2,167,500	276	348
Public revenue bank account	42,875	59,851	-	-
Security deposits	23,816	23,615	-	-
Cash and cash equivalents	**2,493,008**	**2,250,966**	**276**	**348**

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

6. Cash and cash equivalents (cont'd)

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

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Cash and cash equivalents (per Statement of financial position)	2,493,008	2,250,966	276	348
Closing cash and cash equivalents (per Statement of cash flows)	**2,493,008**	**2,250,966**	**276**	**348**

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

Credit standby arrangements and loan facilities with NSW TCorp

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

Restricted cash and cash equivalents

Cash and cash equivalent assets include restricted cash of $458.3 million (2017: $471.1 million) (parent entity: nil (2017: nil)) which can only be used for specific purposes and are, therefore, not available to fund the ongoing operations of the consolidated entity. This consists of funds quarantined specially in relation to the following:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Parking Space levy	68,301	126,300
Community Transport Groups	14,855	10,700
Railway Contribution Deed	31	100
Community Road Safety Fund	5,842	-
E-tag deposit	56,427	55,185
Maritime Waterways Fund	265,357	226,634
Funds related to land acquisition by the state	47,473	43,530
Tow Truck Industry Fund	-	8,501
Rental bonds	11	163
Restricted cash and cash equivalents	**458,297**	**471,113**

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

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

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

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

6. Cash and cash equivalents (cont'd)

Restricted cash and cash equivalents (cont'd)

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

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

Funds administered on behalf of the Tow Truck Industry Fund are nil in 2018 due to the Tow Truck account ownership being transferred to the Department of Finance, Services and Innovation in October 2017. In 2017, the funds were controlled by Roads and Maritime Services and were covered by Section 91 of the Tow Truck Industry Act 1998. Transactions on this account are restricted to activity relating to Tow Truck Licensing.

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

Recognition and measurement

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

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

7. Receivables

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Sale of goods and services		58,811	63,732	-	-
Goods and Services Tax recoverable		335,195	299,506	23	22
Prepayments		285,177	235,966	-	-
Income receivable		113,651	92,880	-	-
Other receivables[1]		264,811	200,138	135	71
Investment income receivable		9,849	11,026	-	-
Finance leases		221	239	-	-
		1,067,715	**903,487**	**158**	**93**
Less: Allowance for impairment		(11,395)	(10,542)	-	-
Current receivables		**1,056,320**	**892,945**	**158**	**93**
Movement in the allowance for impairment					
Balance at 1 July		(10,542)	(7,371)	-	-
Additions	5	(7,689)	(3,966)	-	-
Unused provision reversed	5	-	795	-	-
Bad debt written off		6,836	-	-	-
Balance at 30 June		**(11,395)**	**(10,542)**	**-**	**-**
Finance leases		26,822	32,260	-	-
Other receivables[1]		81,068	158,558	-	-
Prepayments[2]		1,345,748	238,101	-	-
Non-current receivables		**1,453,638**	**428,919**	**-**	**-**

[1] Roads and Maritime Services disposed of the Hill Road site at Wentworth point in September 2016 and as at 30 June 2018 has received the agreed sale proceeds of an initial deposit of 10 per cent and the first annual instalment in July 2017. Current other receivables include the second annual instalment of $81.1 million due in July 2018. Non-current other receivables include $81.1 million expected to be received in July 2019.

[2] Non-current prepayments include $644.7 million (2017: nil) for WestConnex (stages 1a and 3a) and $677.5 million (2017: $238.1 million) for NorthConnex.

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

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

8. Inventories

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Materials, spare parts and other stores	44,173	45,469	-	-
Work in progress	-	279	-	-
Less: Provision for obsolescence	(12,552)	(13,872)	-	-
Current inventories held for distribution	**31,621**	**31,876**	**-**	**-**
Materials, spare parts and other stores	31,062	28,338	-	-
Non-current inventories held for distribution	**31,062**	**28,338**	**-**	**-**

Recognition and measurement

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

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

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

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

9. Financial assets at fair value

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Financial assets held for trading				
Derivatives	3,718	297	-	-
Financial assets at fair value through profit or loss				
TCorp Hour-Glass investment facilities	111,565	104,857	-	-
Current financial assets at fair value	**115,283**	**105,154**	**-**	**-**
Financial assets held for trading				
Derivatives	1,693	91	-	-
Non-current financial assets at fair value	**1,693**	**91**	**-**	**-**

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

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

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

These policies comply strictly with the internal policies and guidelines within the broad framework of the NSW "Treasury Management Policy" (TPP07 7). Accounting for Treasury instruments is in accordance with NSW Treasury Accounting Policy, "Accounting for Financial Instruments" (TPP08 1). Treasury instruments approved for the management of financial risk are in accordance with the Public Authorities (Financial Arrangements) Act 1987.

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

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

Recognition and measurement

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The consolidated entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss - the consolidated entity subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

The NSW TCorp Hour-Glass investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the key management personnel.

The movement in the fair value of the NSW TCorp Hour-Glass investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item investment revenue.

Held-to-maturity investments - Non-derivative financial assets with fixed or determinable payments and fixed maturity that the consolidated entity has the positive intention and ability to hold to maturity are classified as "held-to-maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or though the amortisation process.

Available-for-sale investments - Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date, i.e. the date the consolidated entity commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of financial position date.

Unquoted investment in subsidiaries incorporated as proprietary companies are stated at cost less accumulated impairment in the parent entity's Statement of financial position. The investment is subject to at least annual reviews for impairment.

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

Recognition and measurement (cont'd)

(i) Impairment of financial assets

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

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

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

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

10. Non-current assets held for sale

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Land and buildings held for sale	859	299	-	-
Plant and equipment	785	44	-	-
Buses	-	675	-	-
Non-current assets held for sale	**1,644**	**1,018**	**-**	**-**

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

Recognition and measurement

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

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

11. Other financial assets

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Lane Cove Tunnel receivable[1]	146,887	-	-	-
Other loans and deposits[2]	230,000	285,000	-	-
Current other financial assets	**376,887**	**285,000**	**-**	**-**
Loan to Sydney Harbour Tunnel Company[3]	165,519	154,987	-	-
Promissory notes[4]	57,473	52,473	-	-
Interest free advances to taxi operators[5]	1,006	929	-	-
Lane Cove Tunnel receivable[1]	-	183,072	-	-
Non-current other financial assets	**223,998**	**391,461**	**-**	**-**

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

[1] Lane Cove Tunnel receivable relates to concession fees receivable due to the extension periods in the Private Public Partnership agreements of Lane Cove Tunnel. The amount represents the nominal value of $200.0 million receivable from 31 December 2017 to 30 June 2019. As at 30 June 2018, the consolidated entity has received $45.0 million in concession fees (2017: nil), and the remaining balance is due within 12 months by 30 June 2019. The concession fees receivable are valued at amortised cost using effective interest rate of 5.63% (2017: 5.63%).

[2] Other loans and deposits of $230.0 million (2017: $285.0 million) relate to short-term deposits of $200.0 million (2017: $200.0 million) held with Westpac and a $30.0 million (2017: $85.0 million) TCorp facility.

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

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

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

Recognition and measurement

Other financial assets comprise receivables, loan to the Sydney Harbour Tunnel and promissory notes issued by the operators of private sector provided infrastructure assets. These assets are measured at amortised cost using the effective interest rate method.

Please refer to note 9(i) for recognition and measurement regarding impairment of financial assets.

12. Property, plant and equipment

Consolidated – Land, buildings and infrastructure systems

Consolidated	Land and buildings $ '000	Infrastructure systems: Road and maritime systems $ '000	Infrastructure systems: Rail systems $ '000	Infrastructure systems: Total $ '000	Plant and equipment: Plant and equipment $ '000	Plant and equipment: Finance leased buses $ '000	Plant and equipment: Rolling stock $ '000	Plant and equipment: Leased rolling stock $ '000	Plant and equipment: Buses $ '000	Plant and equipment: Ferries $ '000	Plant and equipment: Total $ '000	Total Property, plant and equipment $ '000
At 30 June 2018												
At cost - Gross carrying amount	62,738	6,900,967	11,330,669	18,231,636	108,070	-	485,039	-	13,090	2,225	608,424	18,902,798
At fair value - Gross carrying amount	4,365,939	108,116,603	86,641,391	194,757,994	1,266,985	961,160	5,822,763	2,925,212	1,380,876	298,188	12,655,184	211,779,117
Accumulated depreciation and impairment	(193,988)	(26,914,755)	(49,836,136)	(76,750,891)	(642,058)	(350,481)	(3,877,313)	(670,927)	(1,018,213)	(209,539)	(6,768,531)	(83,713,410)
Net carrying amount	**4,234,689**	**88,102,815**	**48,135,924**	**136,238,739**	**732,997**	**610,679**	**2,430,489**	**2,254,285**	**375,753**	**90,874**	**6,495,077**	**146,968,505**
At 30 June 2017												
At cost - Gross carrying amount	57,183	5,737,479	9,810,176	15,547,655	52,675	-	193,925	-	20,752	-	267,352	15,872,190
At fair value - Gross carrying amount	4,232,719	109,067,719	70,296,035	179,363,754	1,306,515	1,016,317	5,935,530	2,698,835	1,068,719	279,707	12,305,623	195,902,096
Accumulated depreciation and impairment	(35,677)	(36,002,151)	(35,486,698)	(71,488,849)	(595,877)	(433,321)	(3,977,332)	(355,161)	(744,347)	(188,749)	(6,294,787)	(77,819,313)
Net carrying amount	**4,254,225**	**78,803,047**	**44,619,513**	**123,422,560**	**763,313**	**582,996**	**2,152,123**	**2,343,674**	**345,124**	**90,958**	**6,278,188**	**133,954,973**

There was nil (2017: nil) property, plant and equipment held by the parent.

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

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

Consolidated - Reconciliation

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

Consolidated		Infrastructure systems				Plant and equipment						
	Land and buildings	Road and maritime systems	Rail systems	Total	Plant and equipment	Finance leased buses	Rolling stock	Leased rolling stock	Buses	Ferries	Total	Total Property, plant and equipment
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
At 30 June 2018												
Net carrying amount at start of year	4,254,225	78,803,047	44,619,513	123,422,560	763,313	582,996	2,152,123	2,343,674	345,124	90,958	6,278,188	133,954,973
Additions	769,590	3,981,476	3,966,467	7,947,943	69,300	135,773	33,091	-	26,035	16,086	280,285	8,997,818
Recognition of infrastructure assets	1,705	49,345	-	49,345	-	-	-	-	-	-	-	51,050
Revaluation increment/(decrement) recognised in equity	(439,387)	7,676,107	1,296,495	8,972,602	-	-	-	(5,000)	1,038	-	(3,962)	8,529,253
Revaluation increment/(decrement) recognised in net result	-	1,470	-	1,470	-	-	-	-	-	(5,056)	(5,056)	(3,586)
Disposals	(12,132)	-	(119,561)	(119,561)	(3,397)	(4,061)	(189)	-	-	-	(7,647)	(139,340)
Impairment losses	-	(198,594)	-	(198,594)	-	-	-	-	-	-	-	(198,594)
Assets transferred (to)/from non-current assets held for sale	(21,530)	-	-	-	(791)	-	-	-	87	-	(704)	(22,234)
Reclassification between PPE classes	(41,793)	46,156	(369,533)	(323,377)	(53,390)	(21,904)	391,015	143	49,306	-	365,170	-
Reclassifications (to)/from intangible assets	-	-	(8,873)	(8,873)	57,311	-	-	-	-	-	57,311	48,438
Reclassifications (to)/from other assets	12,828	(497,397)	10,524	(486,873)	-	-	-	-	-	-	-	(474,045)
Depreciation expense	(31,606)	(1,559,430)	(1,256,878)	(2,816,308)	(99,349)	(82,125)	(145,551)	(84,532)	(45,837)	(11,114)	(468,508)	(3,316,422)
Increase/(decrease) in net assets from equity transfer	(257,211)	-	-	-	-	-	-	-	-	-	-	(257,211)
Transfer (to)/from local councils	-	(199,364)	(2,230)	(201,594)	-	-	-	-	-	-	-	(201,594)
Net carrying amount at 30 June	**4,234,689**	**88,102,815**	**48,135,924**	**136,238,739**	**732,997**	**610,679**	**2,430,489**	**2,254,285**	**375,753**	**90,874**	**6,495,077**	**146,968,505**

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

Consolidated – Reconciliation (prior year)

Consolidated – Reconciliation		Infrastructure systems			Plant and equipment							
	Land and buildings $ '000	Road and maritime systems $ '000	Rail systems $ '000	Total $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Leased rolling stock $ '000	Buses $ '000	Ferries $ '000	Total $ '000	Total Property, plant and equipment $ '000
At 30 June 2017												
Net carrying amount at start of year	4,039,458	75,960,753	32,859,492	108,820,245	690,452	732,745	2,282,660	2,427,832	336,874	52,627	6,523,190	119,382,893
Restatement of infrastructure assets	-	-	8,503,504	8,503,504	-	-	-	-	-	-	-	8,503,504
Restated net carrying amount at start of year	4,039,458	75,960,753	41,362,996	117,323,749	690,452	732,745	2,282,660	2,427,832	336,874	52,627	6,523,190	127,886,397
Additions	516,078	3,813,031	3,833,316	7,646,347	68,674	104,573	51,660	-	39,493	33,602	298,002	8,460,427
Revaluation increment/(decrement) recognised in equity	(121,435)	886,188	680,366	1,566,554	-	-	4,814	-	-	-	4,814	1,449,933
Revaluation increment/(decrement) recognised in net result	(185,449)	-	-	-	-	(179,740)	-	-	10,718	-	(169,022)	(354,471)
Disposals	(711)	-	(160,191)	(160,191)	(9,516)	-	60	-	(410)	-	(9,866)	(170,768)
Impairment losses	-	(262,709)	-	(262,709)	-	-	-	-	-	-	-	(262,709)
Assets transferred (to)/from non-current assets held for sale	11,923	-	676	676	(44)	-	-	-	(538)	-	(582)	12,017
Reclassification between PPE classes	(16,515)	6,681	(42,166)	(35,485)	72,164	-	(20,164)	-	-	-	52,000	-
Reclassifications (to)/from intangible assets	1,024	(25,930)	(5,962)	(31,892)	46,118	-	-	-	-	-	46,118	15,250
Reclassifications (to)/from other assets	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	(28,753)	(1,569,172)	(953,509)	(2,522,681)	(95,657)	(74,582)	(160,478)	(84,158)	(39,148)	(8,232)	(462,255)	(3,013,689)
Increase/(decrease) in net assets from equity transfer	36,685	-	(28,190)	(28,190)	-	-	-	-	-	-	-	8,495
Transfer to and from local councils	-	(39,809)	(7,054)	(46,863)	-	-	-	-	-	-	-	(46,863)
Recognition of assets	-	34,014	-	34,014	-	-	-	-	-	-	-	34,014
Recycling of assets previously recognised	1,920	-	(60,769)	(60,769)	(8,878)	-	(6,429)	-	(1,865)	12,961	(4,211)	(63,060)
Net carrying amount at 30 June	**4,254,225**	**78,803,047**	**44,619,513**	**123,422,560**	**763,313**	**582,996**	**2,152,123**	**2,343,674**	**345,124**	**90,958**	**6,278,188**	**133,954,973**

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

The reclassifications between property, plant and equipment classes comprise mainly transfer of land and buildings assets to infrastructure assets for Sydney Trains and RailCorp, as well as transfer of assets related to Roads and Maritime Services major infrastructure projects.

Reclassification to intangible assets mainly comprises the transfer of computer equipment acquired for the Next Generation Information System project for Transport for NSW and components of Roads and Maritime Services major infrastructure projects.

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

a) Revaluations on land and buildings were undertaken in a number of the controlled entities in 2018. The fair value of such assets is stated at fair value using either the direct comparison approach or current replacement cost (CRC).

b) Revaluations on certain infrastructure assets including roads, bridges and land and buildings including those acquired for future road works were performed in 2018.

c) All road infrastructure assets are stated at fair value using the CRC approach:

- The methods and significant assumptions applied in estimating the 'Roads' asset class fair values include Primary Approach, Secondary Approach and Hybrid Approach.
- Due to the specialised nature of Roads and Maritime Services' 'Roads' asset class and that the roads are not sold or traded, the fair value for this asset class cannot be determined with reference to the observable prices in an active market or recent market transactions on arm's length terms. Instead, the fair value has been determined using the valuation techniques mentioned above, primarily with reference to current tendered contracted rates produced by the Roads and Maritime Services Project Management Office.
- Land and buildings acquired for future road works, where possible, the fair value are determined by reference to recent market transactions, using the following methods and assumptions:
    - The pre-acquisition market value was used as the base value for determining fair value.
    - For land and buildings parcels purchased prior to 2000 or where pre-acquisition market values were not available, a rate per square metre was calculated from recent market transactions within the same or similar Local Government Areas and applied to the current parcel area.

d) Revaluations on buses owned by State Transit Authority were undertaken in 2018. Revaluations on all owned and leased buses were undertaken in 2017 using the CRC approach.

e) Earthworks and tunnel boring assets were valued and recognised in 2017 using the CRC approach. Valuation inputs to arrive at replacement cost are categorised in level 3 of the fair value hierarchy and are predominantly an assessment of the construction costs such as materials, labour and overhead. Refer to note 27.

Recognition and measurement

(i) Property, plant and equipment

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

(ii) Capitalisation and initial recognition

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

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

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

Recognition and measurement (cont'd)

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

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

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

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

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

(iii) Valuation of property, plant and equipment

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to note 15 for further information regarding fair value.

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

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

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

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

Recognition and measurement (cont'd)

(iv) Revaluation of property, plant and equipment

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

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

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

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

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

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

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

Interim revaluations are performed between comprehensive revaluations where cumulative changes to indicators/indices suggest fair value may differ from carrying value in accordance with NSW Treasury policy and guidelines paper (TPP 14.01). Each entity within the group undertakes their own assessment to comprehensively revalue a class of assets more frequently.

(v) Impairment of property, plant and equipment

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

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

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

Recognition and measurement (cont'd)

(vi) Depreciation of property, plant and equipment

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

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

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

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

Depreciation Rates	Useful Lives
Rail systems	10-250 years
Road systems	4-197 years
Maritime systems	5-40 years
Rolling stock	32-45 years
Buildings	10-200 years
Owned buses	20-25 years
Finance leased buses	15-25 years
Ferries	20-40 years
Plant and equipment	2-60 years

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

(vii) Major inspection costs

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

(viii) Restoration costs

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

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

Recognition and measurement (cont'd)

(ix) Maintenance

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

(x) Leased assets

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

As lessee:

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Under the Metropolitan Bus Services, Outer Metropolitan Bus Services and Rural and Regional Bus Services contracts, payments to bus operators for the acquisition of new and certain existing buses are considered to be in the nature of finance leases and are recognised in accordance with AASB 117 Leases. Leased buses were carried at historical cost up until 31 March 2017.

From 31 March 2017, the consolidated entity changed its accounting policy for the measurement of leased buses from historical cost to fair value. The fair value accounting policy was adopted under AASB 136 Impairment of assets (paragraph Aus32.1 – 32.2) in respect of not-for-profit entities where the future economic benefits of an asset are not primarily dependant on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits. Therefore the asset's recoverable value is determined based on the depreciated replacement cost of the asset being the best representation of its fair value. Accordingly, leased buses are now carried at fair value from 31 March 2017 onwards. As required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (paragraph 17) the change in accounting policy was accounted for as a revaluation in accordance with AASB 116 Property, Plant and Equipment and applied prospectively. The revaluation was accounted for based on an independent valuation of the entire leased bus fleet at 31 March 2017.

To align with the change in accounting policy from historical cost to fair value, the depreciation method was also changed from straight-line to diminishing value which better reflects the pattern of consumption and going forward will result in a closer representation of fair value in between valuation years. This is consistent with the requirements of AASB 116 paragraph 31 to ensure that the carrying value does not differ materially from what would be determined to be the fair value at the reporting date. As part of the review of the depreciation method, the remaining useful lives and residual values of the leased buses were also reassessed at the revaluation date. The change in depreciation method and the reassessment of useful lives and residual values are changes in estimates and applied prospectively from 31 March 2017.

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

As lessor:

The consolidated entity, as the lessor, classifies its long term land leases (typically where the initial lease term exceeds 50 years), as finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the land. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the leases.

The lease receipt is recognised in two components, one as a reduction of the lease receivables and the other as a finance income. The finance income is calculated relevant to the term of the lease.

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

Recognition and measurement (cont'd)

(xi) Derecognition

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

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

13. Intangibles assets

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Cost (gross carrying amount)		2,435,339	2,293,607	-	-
Accumulated amortisation and impairment		(758,700)	(669,134)	-	-
Intangible assets		**1,676,639**	**1,624,473**	**-**	**-**
Balance at 1 July		1,624,473	1,286,987	-	-
Assets recognised for the first time		49,700	-	-	-
Additions		302,528	498,326	-	-
Disposals	4	(84,931)	(1,697)	-	-
Reclassification (to)/from property, plant and equipment	12	(48,438)	(15,250)	-	-
Reclassifications (to)/from other assets		31,153	-	-	-
Impairment (losses)/reversals	5	(1,216)	(164)	-	-
Amortisation	2(d)	(196,630)	(143,729)	-	-
Balance at 30 June		**1,676,639**	**1,624,473**	**-**	**-**

Recognition and measurement

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

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

The useful lives of intangible assets are assessed to be finite.

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

The consolidated entity's intangible assets comprise principally information technology systems which are amortised using the straight-line method over periods ranging from 2 years to 19 years.

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

14. Other assets

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Non-current other assets					
Right to receive privately financed transport infrastructure		2,151,866	1,904,254	-	-
Prepaid asset		2,777,321	1,661,509	-	-
Other assets		**4,929,187**	**3,565,763**	**-**	**-**
Movement in right to receive privately financed transport infrastructure					
Balance at 1 July		1,904,254	1,664,204	-	-
Additions	3(h)	260,439	240,050	-	-
Reclassifications (to)/from property, plant and equipment		(12,827)	-	-	-
Balance at 30 June		**2,151,866**	**1,904,254**	**-**	**-**

Recognition and measurement

Private sector provided infrastructure

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

In the absence of a specific Australian Accounting Standard, Treasury Policy and Guidelines Paper Accounting for Privately Financed Projects (TPP06-8) applies. This policy requires the consolidated entity to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the government bond rate at the commencement of the project. During the concession period, the consolidated entity recognises the annual value of the right to receive the infrastructure as an asset and as revenue (note 3(h)(vi))

Prepaid asset

Transport for NSW has entered into PPP contracts with ALTRAC Light Rail Consortium for the construction of Sydney Light Rail and with Northwest Rapid Transit for the construction of the Sydney Metro Northwest. The costs incurred prior to completion of the construction phase are recognised as a prepaid asset in accordance with NSW Treasury Policy TPP 06-8. Both construction phases are expected to be completed by 2019.

15. Fair value measurement of non-financial assets

(a) Fair value hierarchy

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2018.

2018	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Land and buildings	12	**-**	**3,660,886**	**514,880**	**4,175,766**
Plant and equipment		-	700	107,790	108,490
Finance leased buses		-	-	610,678	610,678
Rolling stock		-	-	1,945,451	1,945,451
Buses		-	-	362,663	362,663
Ferries		-	-	90,874	90,874
Leased rolling stock		-	-	2,254,285	2,254,285
Plant and equipment	12	**-**	**700**	**5,371,741**	**5,372,441**
Road systems		-	-	81,103,743	81,103,743
Rail systems		-	-	36,861,364	36,861,364
Maritime systems		-	-	98,103	98,103
Infrastructure systems	12	**-**	**-**	**118,063,210**	**118,063,210**
Non-current assets held for sale	10	**-**	**835**	**809**	**1,644**
Other assets	14	**-**	**-**	**2,136,307**	**2,136,307**
		-	**3,662,421**	**126,086,947**	**129,749,368**

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

2017	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Land and buildings	12	**-**	**3,630,252**	**566,789**	**4,197,041**
Plant and equipment		-	1,182	108,182	109,364
Finance leased buses		-	-	582,996	582,996
Rolling stock		-	-	1,958,196	1,958,196
Buses		-	-	326,017	326,017
Ferries		-	-	79,658	79,658
Leased rolling stock		-	-	2,343,674	2,343,674
Plant and equipment	12	**-**	**1,182**	**5,398,723**	**5,399,905**
Road systems		-	-	73,065,567	73,065,567
Rail systems		-	-	34,809,340	34,809,340
Infrastructure systems	12	**-**	**-**	**107,874,907**	**107,874,907**
Non-current assets held for sale	10	**-**	**275**	**743**	**1,018**
Other assets	14	**-**	**-**	**1,904,254**	**1,904,254**
		-	**3,631,709**	**115,745,416**	**119,377,125**

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

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

(a) Fair value hierarchy (cont'd)

Recognition and measurement

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

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

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

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

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

(b) Valuation techniques

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

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

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

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

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

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

(c) Valuation processes and inputs

The consolidated entity engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets at the end of the reporting period, at least every 5 years. During the 2018 financial year, a full valuation of the following assets was carried out by independent valuers, with the other non-financial assets not required to be revalued:

- The fair value of land, buildings and owned buses at State Transit Authority was valued by AssetVal Pty Ltd.
- The fair value of road and bridge assets, certain infrastructure and land and building assets at Roads and Maritime Services was valued by various independent valuers, internally qualified valuers and employees.
- The fair value of ferries at Sydney Ferries was valued by Rodney Hyman Asset Services Pty Ltd (RHAS).
- The fair value of Country Regional Network land and building assets at Transport for NSW was valued by Preston Rowe Paterson NSW Pty Ltd.
- The fair value of land owned by Rail Corporation New South Wales was valued by Opteon Property Group Pty Ltd.

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

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

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

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

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

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

- **Other rolling stock** - prices from relevant contracts awarded for the manufacture of the asset, international transportation costs, structural modification costs, replacement cost, are estimated by the external valuer, based on replacement costs of both domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence and qualitative attractiveness of the fleet sub types relative to the modern equivalent. International prices and exchange rates are adjusted for international transportation costs or structural modifications. Technical data and remaining life of rolling stock were confirmed by the engineering staff of Sydney Trains and Transport for NSW.
- **Road infrastructure** - unit replacement rates for road, bridge and traffic control signal infrastructure valuation is carried out by suitably qualified engineering contractors and employees of Roads and Maritime Services, by reference to unit prices quoted in the most recent relevant infrastructure construction tender documents, where the price range is adjusted to eliminate outlier amounts. The unit replacement rates are adjusted by the Road Cost Index as applicable. Components are depreciated over their estimated useful life depending on component type or remaining useful life depending on assets' condition. Land under roads and within road reserves are revalued annually by applying the most recent urban rateable average value per hectare provided by the Valuer General to the land under roads and within reserves within each Local Government Area.
- **Ferries** - current replacement cost, including delivery and professional fees were estimated by the external valuer based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the agreed criteria with management. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.
- **Owned buses and finance leased buses** – current replacement cost estimates are based on the most recent cost prices for the buses and current Transport for NSW Bus Procurement Panel pricing for Rural and Regional Urban and School bus types, as quoted by numerous chassis and bus providers. End of life residual value, exponential decay curve and disposal costs were estimated by the external valuer based on the current market sales evidence and common valuation practice for buses.
- **Non-current asset held for sale** - rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.
- **Leasehold improvement make good** - restoration cost per square metre, inflation rate, market yield on Government bonds, lease terms are estimated and obtained by management.
- **Emerging interest from Public Private Partnership Projects** – replacement costs, inflation rate and discount rate are determined by management in accordance with Treasury policy.

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

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

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

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

(d) Valuation input and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Assets	Valuation Technique	Significant Unobservable Input	Quantity	Relationship between unobservable inputs and fair value measurement
Emerging interest assets	Present value approach: this valuation method involves determining the replacement cost (fair value) of the underlying physical assets at the end of the public private partnership contract, allocating the replacement cost over the contract period as the compounding value of an annuity discounted using the NSW Government bond rate applicable at the commencement of the contract, adjusted for inflation.	• Replacement cost • Discount rate • Inflation rate	In aggregate $2.2 billion (2017: $1.9 billion)	The fair value will increase/(decrease) if the estimated: • replacement cost increase/(decrease) • discount rate decrease/(increase) • inflation rate increase/(decrease)

There were no significant inter-relations between unobservable inputs that would materially affect the overall valuation.

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

(e) Reconciliation of recurring Level 3 fair value measurement

	Land and Buildings	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Leased rolling stock	Road and Maritime systems	Rail Systems	Other assets	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Fair value at start of year	566,789	108,182	582,996	1,958,196	326,017	79,658	2,343,674	73,065,567	34,809,340	1,904,254	115,744,673
Reclass from cost to fair value	-	-	-	-	-	-	-	-	-	-	-
Additions	239,799	54	135,772	-	32,051	5,196	-	580,808	-	270,963	1,264,643
Revaluation increment/(decrement) recognised in net result	-	-	-	-	-	(5,056)	-	1,470	-	-	(3,586)
Revaluation increment/(decrement) recognised in other comprehensive income	(37,825)	-	-	-	1,038	-	(5,000)	7,660,343	1,296,495	(15,558)	8,899,493
Transfers to Level 2	-	-	-	-	-	-	-	46,959	-	-	46,959
Transfer (to)/from council	-	-	-	-	-	-	-	(199,363)	-	-	(199,363)
Transfer (to)/from assets held for sale	(55)	391	-	-	87	-	-	-	-	-	423
Disposals	(11,586)	(1,808)	(4,061)	-	-	-	-	(115,980)	(69,684)	-	(203,119)
Depreciation	(10,783)	(96,867)	(82,125)	(145,551)	(45,836)	(11,114)	(84,532)	(1,559,430)	(1,256,878)	-	(3,293,116)
Other movements	(238,843)	-	-	-	-	-	-	-	-	-	(238,843)
Transfer (to)/from other classes of assets	-	75,180	-	-	-	-	-	(437,442)	(287,899)	(23,352)	(673,513)
Transfer from assets under construction	5,679	22,658	(21,904)	132,806	49,306	22,190	143	2,114,871	2,369,990	-	4,695,739
Recognition of Assets	1,705	-	-	-	-	-	-	44,043	-	-	45,748
Fair value as at 30 June 2018	**514,880**	**107,790**	**610,678**	**1,945,451**	**362,663**	**90,874**	**2,254,285**	**81,201,846**	**36,861,364**	**2,136,307**	**126,086,138**

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

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

	Land and Buildings	Plant and equipment	Finance leased buses	Rolling stock	Buses	Ferries	Leased rolling stock	Road and Maritime systems	Rail Systems	Other assets	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Fair value at start of year	552,592	105,503	-	2,131,382	334,436	52,628	2,427,832	71,693,347	25,690,658	1,664,204	104,652,582
Infrastructure systems restatement	-	-	-	-	-	-	-	-	8,503,504	-	8,503,504
Restated Fair value at start of year	552,592	105,503	-	2,131,382	334,436	52,628	2,427,832	71,693,347	34,194,162	1,664,204	113,156,086
Reclass from cost to fair value	-	-	745,150	-	-	-	-	-	-	-	745,150
Additions	2,960	-	35,527	-	22,542	4,858	-	931,951	-	240,050	1,237,888
Revaluation increment/(decrement) recognised in net result	17,121	-	(179,739)	-	10,718	-	-	-	-	-	(151,900)
Revaluation increment/(decrement) recognised in other comprehensive income	-	-	-	4,814	-	-	-	886,189	680,362	-	1,571,365
Transfer (to)/from Level 2	-	-	-	-	-	-	-	38,120	(13,260)	-	24,860
Transfer (to)/from council	-	-	-	-	-	-	-	(39,809)	-	-	(39,809)
Recognition of assets	-	-	-	-	-	-	-	34,014	-	-	34,014
Transfer (to)/from assets held for sale	-	-	-	-	(538)	-	-	-	676	-	138
Disposals	(436)	(844)	-	(17)	(128)	-	-	(128,055)	(128,449)	-	(257,929)
Depreciation	(9,520)	(17,618)	(17,942)	(160,479)	(39,148)	(8,231)	(84,158)	(1,569,171)	(953,508)	-	(2,859,775)
Other movements	(120)	-	-	-	-	-	-	-	(28,190)	-	(28,310)
Transfer (to)/from other classes of assets	-	20,058	-	(20,164)	-	-	-	-	106	-	-
Transfer from assets under construction	2,272	9,961	-	9,089	-	17,442	-	1,218,981	1,118,210	-	2,375,955
Recycling of assets previously recognised	1,920	(8,878)	-	(6,429)	(1,865)	12,961	-	-	(60,769)	-	(63,060)
Fair value as at 30 June 2017	**566,789**	**108,182**	**582,996**	**1,958,196**	**326,017**	**79,658**	**2,343,674**	**73,065,567**	**34,809,340**	**1,904,254**	**115,744,673**

16. Payables

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Trade creditors	316,760	267,769	-	-
Accrued salaries, wages and on-costs	73,505	67,523	7	3
Accruals	2,106,540	1,969,181	233	244
Interest	29,398	28,137	-	-
Other creditors	333,896	191,998	-	-
Current payables	**2,860,099**	**2,524,608**	**240**	**247**

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

Recognition and measurement

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

17. Borrowings

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
TCorp borrowings		108,665	280,604	-	-
Finance leases	22	154,351	135,844	-	-
Current borrowings		**263,016**	**416,448**	**-**	**-**
TCorp borrowings		2,926,779	2,699,823	-	-
Finance leases	22	2,997,887	3,012,223	-	-
Non-current borrowings		**5,924,666**	**5,712,046**	**-**	**-**

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

Repayment of borrowings

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Not later than one year	263,016	416,448	-	-
Later than one year and not later than five years	3,593,101	2,631,631	-	-
Later than five years	2,331,565	3,080,415	-	-
Repayment of borrowings	**6,187,682**	**6,128,494**	**-**	**-**

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

17. Borrowings (cont'd)

Recognition and measurement

Borrowings are not held for trading or designated at fair value through profit or loss. Borrowings are initially measured at the fair value of the consideration received. Any difference between the proceeds and the redemption amount (premium or discount) is recognised in the net result over the period of the borrowings using the effective interest method.

The finance lease liability is determined in accordance with AASB 117 Leases.

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

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

Changes in liabilities arising from financing activities

Consolidated

2018	Balance at 1 July $'000	Cash flows $'000	Non-cash changes $'000	Balance at 30 June $'000
TCorp borrowings	2,980,427	93,361	(38,344)	3,035,444
Finance leases	3,148,067	(140,721)	144,892	3,152,238
Total liabilities from financing activities	**6,128,494**	**(47,360)**	**106,548**	**6,187,682**

There were no changes in liabilities from financing activities arising in respect of the Parent.

18. Employee benefits

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Annual leave[1]	323,221	312,085	162	184
Long service leave[1]	387,969	397,558	32	10
Workers compensation insurance	21,862	18,303	-	-
Payroll tax	9,404	7,502	-	-
Public holidays	12,074	8,909	-	-
Severance payments/redundancies	17,673	27,223	-	-
Current employee benefits and related on-costs	**772,203**	**771,580**	**194**	**194**
Long service leave	35,483	32,501	-	-
Workers compensation insurance	82,822	85,995	-	-
Superannuation	923,253	971,386	-	-
Non-current employee benefits and related on-costs	**1,041,558**	**1,089,882**	**-**	**-**

[1] It is estimated that the provision for annual leave includes $45.7 million (2017: $58.2 million) and long service leave includes $378.4 million (2017: $369.4 million) that are expected to be paid later than 12 months.

Recognition and measurement

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

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

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

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

(ii) Long service leave and superannuation

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

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

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

18. Employee benefits (cont'd)

Recognition and measurement (cont'd)

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

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

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

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

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

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

(iii) Consequential on-costs

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

Defined-benefit superannuation overview

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

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

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

18. Employee benefits (cont'd)

Year ended 30 June 2018	**SASS**	**SANCS**	**SSS**	**Total**
Member numbers				
Contributors	1,938	1,940	2	
Deferred benefits	-	-	-	
Pensioners	846	-	40	
Pensions fully commuted	-	-	2	
	$'000	**$'000**	**$'000**	**$'000**
Superannuation position for AASB 119 purposes				
Accrued liability[1]	2,113,483	147,708	71,160	2,332,351
Estimated reserve account balance	(1,265,778)	(107,947)	(35,374)	(1,409,099)
Deficit/(surplus)	**847,705**	**39,761**	**35,786**	**923,252**
Future service liability[2]	43,112	37,019	349	80,480
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of financial position	**847,705**	**39,761**	**35,786**	**923,252**

Year ended 30 June 2017	**SASS**	**SANCS**	**SSS**	**Total**
Member numbers				
Contributors	2,238	2,242	4	
Deferred benefits	-	-	-	
Pensioners	769	-	38	
Pensions fully commuted	-	-	2	
	$'000	**$'000**	**$'000**	**$'000**
Superannuation position for AASB 119 purposes				
Accrued liability[1]	2,155,837	164,426	71,747	2,392,010
Estimated reserve account balance	(1,269,080)	(116,982)	(34,562)	(1,420,624)
Deficit/(surplus)	**886,757**	**47,444**	**37,185**	**971,386**
Future service liability[2]	10,225	5,960	-	16,185
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of financial position	**886,757**	**47,444**	**37,185**	**971,386**

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

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

18. Employee benefits (cont'd)

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

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

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

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

All the Schemes are closed to new members.

- **Description of the regulatory framework**

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The actuary has commenced work on the 30 June 2018 investigation. Once completed, the report will be available on the Fund's website.

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

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

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

18. Employee benefits (cont'd)

- **Description of risks**

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

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

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

- **Description of significant events**

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

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

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

18. Employee benefits (cont'd)

Year ended 30 June 2017	**SASS**	**SANCS**	**SSS**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**
Net defined benefit liability/(asset) at start of year	1,109,183	71,338	46,673	1,227,194
Current service cost	21,482	6,772	163	28,417
Net interest on the net defined benefit liability/(asset)	21,753	1,267	929	23,949
Actual return on Fund assets less Interest income	(85,820)	(7,776)	(2,387)	(95,983)
Actuarial (gains)/losses arising from changes in financial assumptions	(161,607)	(8,405)	(7,335)	(177,347)
Actuarial (gains)/losses from liability experience	13,631	(179)	(828)	12,624
Employer contributions	(32,073)	(15,374)	-	(47,447)
Actuarial (gains)/losses arising from changes in demographic assumptions	208	(199)	(30)	(21)
Net defined benefit liability/(asset) at end of year	**886,757**	**47,444**	**37,185**	**971,386**

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

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

18. Employee benefits (cont'd)

Year ended 30 June 2017	**SASS $ '000**	**SANCS $ '000**	**SSS $ '000**	**Total $ '000**
Fair value of fund assets at beginning of the year	1,243,406	109,416	33,601	1,386,423
Interest income	23,843	2,146	646	26,635
Actual return on Fund assets less Interest income	85,820	7,776	2,387	95,983
Employer contributions	32,073	15,374	-	47,447
Contributions by participants	13,259	-	43	13,302
Benefits paid	(133,575)	(16,151)	(2,530)	(152,256)
Taxes, premiums & expenses paid	4,254	(1,579)	415	3,090
Fair value of fund assets at end of the year	**1,269,080**	**116,982**	**34,562**	**1,420,624**

- **Reconciliation of the defined benefit obligation**

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

18. Employee benefits (cont'd)

Year ended 30 June 2017	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Present value of defined benefit obligations at beginning of the year	2,352,589	180,754	80,274	2,613,617
Current service cost	21,482	6,772	163	28,417
Interest cost	45,596	3,413	1,575	50,584
Contributions by participants	13,259	-	43	13,302
Actuarial (gains)/losses arising from changes in demographic assumptions	208	(199)	(30)	(21)
Actuarial (gains)/losses arising from changes in financial assumptions	(161,607)	(8,405)	(7,335)	(177,347)
Actuarial (gains)/losses from liability experience	13,631	(179)	(828)	12,624
Benefits paid	(133,575)	(16,151)	(2,530)	(152,256)
Taxes, premiums & expenses paid	4,254	(1,579)	415	3,090
Present value of defined benefit obligations	**2,155,837**	**164,426**	**71,747**	**2,392,010**

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

Year ended 30 June 2018	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	**-**	**-**	**-**	**-**

Year ended 30 June 2017	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	**-**	**-**	**-**	**-**

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

18. Employee benefits (cont'd)

- **Fair value of fund assets**

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

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

Year ended 30 June 2017	**Total**	**Quoted prices in active markets for identical assets**	**Significant observable inputs**	**Unobservable inputs**
		Level 1	**Level 2**	**Level 3**
Asset category	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Australian fixed interest	2,500,725	997	2,499,728	-
International fixed interest	480,991	-	480,991	-
Australian equities	9,446,079	8,947,483	498,572	24
International equities	12,053,503	9,033,497	1,869,112	1,150,894
Property	3,453,108	926,105	533,191	1,993,812
Alternatives	9,066,056	390,899	5,068,137	3,607,020
Cash	3,087,307	3,077,362	9,945	-
Total	**40,087,769**	**22,376,343**	**10,959,676**	**6,751,750**

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

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

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

18. Employee benefits (cont'd)

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

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

	2018 %	2017 %
Short term securities	10.5	-
Australian fixed interest	5.3	6.2
International fixed interest	3.3	1.2
Australian equities	22.2	23.6
International equities	26.1	30.1
Property	8.9	8.6
Alternatives	23.7	22.6
Cash	-	7.7
Total	**100.0**	**100.0**

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

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

The fair value of the Pooled Fund assets include as at 30 June 2018 of $97.7 million (2017: $354.0 million) in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

* SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $280 million (30 June 2017: $250 million).
* Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $287 million (30 June 2017: $261 million).

18. Employee benefits (cont'd)

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

	2018	2017
Discount rate	2.65% pa	2.62% pa
Salary increase rate (excluding promotional increases)	2.7% 2018/2019; 3.20% pa thereafter	2.50% 2017/2018 to 2018/2019;3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	2.25% 2018/2019 and 2019/20; 2.50% pa thereafter	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2018 actuarial investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report which will be available on the Trustee's website when the investigation is complete. The report will show the pension mortality rates for each age. Alternatively, the assumptions are available on request from the Trustee.	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

18. Employee benefits (cont'd)

- **Sensitivity analysis**

The entity's total defined benefit obligation as at 30 June 2018 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2018.

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

Year ended 30 June 2018	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	as above	as above - 1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	2,332,352	2,617,501	2,100,389
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	2,332,352	2,426,137	2,246,709
	Base case	**Scenario E +0.5% Salary increase rate**	**Scenario F -0.5% Salary increase rate**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A$'000)	2,332,352	2,368,965	2,297,256
	Base case	**Scenario G Higher pensioner mortality rates [1]**	**Scenario H Lower pensioner mortality rates [2]**
Defined benefit obligation (A$'000)	2,332,352	2,364,182	2,314,778

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

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

18. Employee benefits (cont'd)

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

The entity's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Year ended 30 June 2017	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	2.62%	1.62%	3.62%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	2,392,009	2,681,754	2,156,396
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rate plus 0.5% pa	above rate less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	2,392,009	2,479,808	2,311,862
	Base case	**Scenario E +0.5% Salary increase rate**	**Scenario F -0.5% Salary increase rate**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A$'000)	2,392,009	2,436,433	2,349,641
	Base case	**Scenario G Higher pensioner mortality rates [1]**	**Scenario H Lower pensioner mortality rates [2]**
Defined benefit obligation (A$'000)	2,392,009	2,425,059	2,375,613

[1] Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021
[2] Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021

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

- **Asset-Liability matching strategies**

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

- **Funding arrangements**

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

18. Employee benefits (cont'd)

- **Funding arrangements (cont'd)**

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

- **Surplus/deficit**

The following is a summary of the 30 June 2018 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

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

Year ended 30 June 2017	**SASS**	**SANCS**	**SSS**	**Total**
	$ '000	**$ '000**	**$ '000**	**$ '000**
Accrued benefits	1,417,173	123,757	37,362	1,578,292
Net market value of fund assets	(1,269,080)	(116,982)	(34,562)	(1,420,624)
Net (surplus)/deficit	**148,093**	**6,775**	**2,800**	**157,668**

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

- **Contribution recommendations**

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

Year ended 30 June 2017	**SASS**	**SANCS**	**SSS**
	% p.a.	**% p.a.**	**% p.a.**
Different contributions are recommended for each entity in the consolidated entity. The contributions rates were:			
RailCorp	-	-	-
NSW Trains	-	-	-
Sydney Trains	-	-	-
STA Employment Group (Transport Services)	2.20	2.50	1.60

18. Employee benefits (cont'd)

- **Economic assumptions**

The economic assumptions adopted for the 30 June 2018 AASB 1056 Accounting Standard "Superannuation Entities" are (these assumptions are consistent with the assumptions to be used for the 2018 actuarial investigation of the Pooled Fund):

Weighted-average assumptions	2018	2017
Expected rate of return on Fund assets backing current pension liabilities	7.4% pa	7.4% pa
Expected rate of return on Fund assets backing other liabilities	6.4% pa	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	2.7% for 2018/19; 3.2% pa thereafter	2.7% to 30 June 2019 then 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa	2.2% pa

- **Expected contributions**

Year ended 30 June 2018	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Expected employer contributions	33,666	529	-	34,195*

Year ended 30 June 2017	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Expected employer contributions	35,067	772	-	35,839*

* Total includes additional contributions of $30.4 million in respect of RailCorp, Sydney Trains and NSW Trains.

- **Maturity profile of defined benefit obligation**

The weighted average duration of the defined benefit obligation is 12.8 years.

- **Profit and loss impact**

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

Year ended 30 June 2017	SASS $ '000	SANCS $ '000	SSS $ '000	Total $ '000
Current service cost	21,482	6,772	163	28,417
Net interest	21,753	1,267	929	23,949
Defined benefit cost	**43,235**	**8,039**	**1,092**	**52,366**

18. Employee benefits (cont'd)

- **Other comprehensive income**

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

Year ended 30 June 2017	**SASS $ '000**	**SANCS $ '000**	**SSS $ '000**	**Total $ '000**
Actuarial (gains) losses on liabilities	(147,768)	(8,783)	(8,193)	(164,744)
Actual return on Fund assets less Interest income	(85,820)	(7,776)	(2,387)	(95,983)
Total remeasurement in other comprehensive income	**(233,588)**	**(16,559)**	**(10,580)**	**(260,727)**

19. Other provisions

	Consolidated 2018 $'000	**Consolidated 2017 $'000**	**Parent 2018 $'000**	**Parent 2017 $'000**
Airport Line asset replacement	3,001	2,458	-	-
Ballast disposal	1,529	1,364	-	-
Land and buildings remediation	31,154	15,931	-	-
Lease make good costs	12,175	12,639	-	-
Legal and related claims	3,525	1,500	-	-
Property reimbursement claims[1]	1,404	936	-	-
Provision for repair[1]	5,000	-	-	-
Public liability claims[1]	5,485	4,340	-	-
Other[1]	7,318	35	-	-
Current other provisions	**70,591**	**39,203**	**-**	**-**
Airport Line asset replacement	1,546	3,062	-	-
Land and buildings remediation	8,109	5,126	-	-
Lease make good costs	25,349	22,626	-	-
Other[1]	18,566	4,493	-	-
Non-current other provisions	**53,570**	**35,307**	**-**	**-**

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

19. Other provisions (cont'd)

Movement in other provisions

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

	Airport Line asset replacement	Ballast disposal	Land and buildings remediation	Lease make good costs	Legal and related claims	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the beginning of the financial year	5,520	1,364	21,057	35,265	1,500	9,804	74,510
Additional provision recognised	-	6,754	23,757	5,391	2,150	33,512	71,564
Amounts used	(981)	(6,589)	(5,296)	(507)	(125)	(5,162)	(18,660)
Unused amounts reversed	-	-	(323)	(3,042)	-	(364)	(3,729)
Unwinding/change in discount rate	8	-	68	417	-	(17)	476
Carrying amount at the end of the financial year	**4,547**	**1,529**	**39,263**	**37,524**	**3,525**	**37,773**	**124,161**

Interest expense of $0.4 million (2017: $0.3 million) is included in finance costs (note 2(f)) and comprises unwinding or a change in the discount rate on the above provisions.

Airport Line asset replacement

The provision of $4.5 million (2017: $5.5 million) recognises the contractual obligation to fund the renewal of major track and tunnel assets of the Airport Line by the line's maintenance contractor during the term of the contractor to 2030. Any unused balance of the provision remaining in 2030 will be shared equally with the maintenance contractor.

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

Ballast disposal

The provision of $1.5 million (2017: $1.4 million) recognises the legal obligation in relation to the disposal of non-recyclable landfill and materials arising from ballast recycling operations.

The liability was assessed at 9 April 2018 (2017: 3 April 2017) by management after investigation of stockpiles at the Chullora site. The timing of the liability is uncertain due to the timing of future disposal.

Land and buildings remediation

The provision of $39.3 million (2017: $21.1 million) comprises provisions for contaminated land of $34.3 million (2017: $13.0 million) and remediation of asbestos contamination of $5.0 million (2017: $8.1 million). The provision for contaminated land includes $19.0 million (2017: nil) in relation to the Parramatta Light Rail project for the clearing of industrial waste from previous usage of certain sites. The provision for remediation of asbestos contamination relates to a program of hazardous materials surveys that commenced in 2006 to identify the full extent of contamination and remedial action required in stations, operational buildings and rolling stock.

Lease make good

The lease made good provision of $37.5 million (2017: $35.3 million) recognises the consolidated entity's obligations to dismantle, remove and restore items of property, plant and equipment on the leased properties to its original condition at the conclusion of the lease. The amount of the provision is the best estimate of the expenditure required to settle the present obligations, discounted to reflect the present value of such expenditures.

19. Other provisions (cont'd)

Legal and related claims

The provision of $3.5 million (2017: $1.5 million) recognises claims against the consolidated entity arising from legislative or contractual breaches or other matters. The liability at year end was assessed by management by reviewing individual claims. The liability is inherently uncertain due to disputes over the existence or quantum of individual claims.

Other provisions

Other provisions of $37.8 million (2017: $9.8 million) include the following:

- $5.0 million (2017: nil) provision for repair to recognise the consolidated entity's obligation to repair damaged rolling stock currently under lease with Reliance Rail. The timing of the outflow is uncertain as the repair work is yet to be undertaken. The rolling stock has been impaired as it is currently out of service.
- $4.1 million (2017: $4.1 million) quarry restoration provision to recognise the legal obligation to restore quarry sites when operations cease. The liability at year end was assessed by an independent expert undertaking site inspections to estimate the minimum cost of the necessary restoration work. The liability is inherently uncertain due to the time likely to elapse before the restoration is required.
- Other provisions also include compensation and compliance claims, third party property damage, marine damage claims, public risk and other minor provisions.

Recognition and measurement

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

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

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

20. Other liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Liability to Consolidated Fund	-	46,767	-	-
Statutory creditors	18,979	11,905	-	-
Sydney Harbour Tunnel tax liabilities	4,525	2,153	-	-
Holding accounts[1]	316,372	282,131	-	-
Lease incentive	110	329	-	-
Deferred revenue	19,048	19,049	-	-
Income received in advance	97,740	66,719	-	-
Liability for former employees' leave entitlements	3,127	3,476	-	-
Current other liabilities	**459,901**	**432,529**	**-**	**-**
Sydney Harbour Tunnel tax liabilities	15,695	19,482	-	-
Deferred revenue	512,021	531,051	-	-
Unearned rent on M5 Motorway	3,823	4,336	-	-
Income received in advance	103,078	97,252	-	-
Security deposit	47	47	-	-
Epping to Chatswood Rail Link improvements liability	74,694	61,036	-	-
Contribution from Sydney City Council for light rail	115,300	115,300	-	-
Non-current other liabilities	**824,658**	**828,504**	**-**	**-**

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

21. Financial liabilities at fair value

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Derivative financial instruments	679	3,830	-	-
Current financial liabilities at fair value	**679**	**3,830**	**-**	**-**
Derivative financial instruments	1,510	1,471	-	-
Non-current financial liabilities at fair value	**1,510**	**1,471**	**-**	**-**

22. Commitments for expenditure

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
(a) Capital commitments					
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:					
Not later than one year		4,479,902	6,147,537	-	-
Later than one year and not later than five years		5,824,185	5,107,729	-	-
Later than five years		-	151	-	-
Total (including GST)		**10,304,087**	**11,255,417**	**-**	**-**
(b) Operating lease commitments					
Future non-cancellable operating lease rentals not provided for and payable:					
Not later than one year		168,000	179,094	-	-
Later than one year and not later than five years		351,644	302,124	-	-
Later than five years		49,063	80,542	-	-
Total (including GST)		**568,707**	**561,760**	**-**	**-**
Future non-cancellable operating lease rentals receivable:					
Not later than one year		70,114	55,853	-	-
Later than one year and not later than five years		171,650	139,931	-	-
Later than five years		335,702	320,933	-	-
Total (including GST)		**577,466**	**516,717**	**-**	**-**
(c) Finance lease commitments					
Minimum lease payment commitments in relation to finance leases payable as follows:					
Not later than one year		420,878	402,974	-	-
Later than one year and not later than five years		1,609,920	1,629,851	-	-
Later than five years		4,873,510	5,098,703	-	-
Minimum lease payment		**6,904,308**	**7,131,528**	**-**	**-**
Less: future finance charges		(3,752,070)	(3,983,461)	-	-
The present value of finance lease commitments is as follows:					
Not later than one year		154,351	135,844	-	-
Later than one year and not later than five years		640,670	645,026	-	-
Later than five years		2,357,217	2,367,197	-	-
Present value of finance lease commitments		**3,152,238**	**3,148,067**	**-**	**-**
Finance lease commitments classified as:					
Current borrowings	17	154,351	135,844	-	-
Non-current borrowings	17	2,997,887	3,012,223	-	-
		3,152,238	**3,148,067**	**-**	**-**
(d) Other public and private partnerships contract commitments					
Not later than one year		92,405	94,336	-	-
Later than one year and not later than five years		371,680	369,361	-	-
Later than five years		2,283,631	2,410,929	-	-
Total (including GST)		**2,747,716**	**2,874,626**	**-**	**-**

Input tax on all commitments estimated at $1,185.7 million (2017: $1,288.6 million) (parent entity: nil (2017: nil)) will be recouped from the Australian Taxation Office.

22. Commitments for expenditure (cont'd)

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

23. Contingent assets and contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 (2017: nil). The consolidated entity had contingent liabilities and contingent assets at 30 June 2018 in respect of:

(i) Public Private Partnership arrangements

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

Roads and Maritime Services has certain obligations under contracts with private sector parties with the performance of these obligations guaranteed by the NSW Government. The current guarantees outstanding are for the Sydney Harbour Tunnel, the M2 Motorway, the Eastern Distributor, the Cross City Tunnel, the Western Orbital, the Lane Cove Tunnel, NorthConnex and WestConnex. There is no reason to believe that these guarantees are ever to be exercised.

(ii) Litigation

Roads and Maritime Services has a number of contractual disputes with an estimated total contingent liability of $1.8 million (2017: $25.1 million). Compulsory property acquisition matters under litigation have an estimated contingent liability of $723.1 million (2017: $676.2 million). These amounts are net of Treasury Managed Fund (TMF) reimbursement.

There are a number of significant disputes which have been notified to and by Transport for NSW in relation to the Sydney Light Rail project. There is significant uncertainty as to the extent of any future liability that will arise in respect of these disputes. The amount of the liability that may arise in relation to these disputes cannot be measured reliably at this time.

A contractor engaged by the ALTRAC Light Rail Consortium has started proceedings in the Supreme Court of NSW against Transport for NSW alleging misleading or deceptive conduct. Transport for NSW denies that it engaged in any such conduct and is defending the proceedings. It is not possible to at this stage to estimate any potential financial effect from these proceedings.

After balance date, a statement of claim was filed in the Supreme Court of NSW alleging public and private nuisance as a result of the Sydney Light Rail project. The proceedings have been brought as representative proceedings. It is not possible to at this stage to estimate any potential financial effect from these proceedings.

Apart from the above matters, Transport for NSW has a number of other disputes related to property acquisitions and contractual claims subject to litigation. The amount of the liability, if any, that may arise in relation to the majority of these disputes cannot be measured reliably at this time apart from $0.2 million (2017: $2.9 million) which has been quantified by management.

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

(iii) Letter of comfort

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigations (OTSI) to ensure the ongoing financial viability of OTSI during the 2018 financial year. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligation.

(iv) Other matters

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

Certain entities controlled by the Department have environmental matters emerging from their normal operations. There is significant uncertainty as to whether any future liability will emerge due to the early stage of identification or works for many of these matters, and as such a liability cannot be accurately calculated at the date of preparation of these financial statements. Where there is a legal or constructive obligation to undertake remediation and the cost can be reliably estimated a provision is made (refer Note 19).

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

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Net cash inflows/(outflows) from operating activities	9,618,260	7,921,097	(72)	44
Acceptance by the Crown Entity of employee benefits and other liabilities	54,510	40,425	145	65
Depreciation and amortisation	(3,513,052)	(3,157,418)	-	-
Non-cash revenue and expenses	383,524	305,087	(145)	(65)
Derecognition, impairment and write off assets	(199,810)	(262,873)	-	-
Roads and bridges transferred from/(to) councils	(199,364)	(39,809)	-	-
Revaluation increment/(decrement) of assets	(3,586)	(354,471)	-	-
Net gain/(loss) on sale of assets held for sale	3,077	138,164	-	-
Impairment of receivable/written off	(7,689)	(3,171)	-	-
(Decrease)/increase in receivables, inventories and other assets	194,625	459,721	65	(11)
(Increase)/decrease in payables and provisions	(344,485)	(162,475)	7	(33)
Net gain/(loss) on sale of property, plant and equipment	(133,871)	(169,175)	-	-
Reconciliation to net result	**5,852,139**	**4,715,102**	**-**	**-**

25. Non-cash financing and investing activities

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Financial lease liabilities in respect of the acquisition of PPE		(135,773)	(104,574)	-	-
M2 and Eastern Distributor promissory notes		5,000	(1,260)	-	-
Non-cash financing activities		**(130,773)**	**(105,834)**	**-**	**-**
Plant and equipment acquired by finance lease	12	135,773	104,574	-	-
Roads transferred from councils	3(e)	-	869	-	-
Roads and bridges transferred to councils	2(e)	(199,364)	(40,678)	-	-
Value of emerging interests in private sector provided infrastructure	3(h)	260,439	240,050	-	-
Assets recognised for the first time	3(h)	100,750	34,014	-	-
Restatement of infrastructure assets	27	-	8,503,504	-	-
Recognition of Epping Chatswood Rail Link improvement liabilities		13,657	428	-	-
Assets impairment	5	(199,810)	(262,873)	-	-
Assets disposed without cash proceeds		(133,871)	(169,175)	-	-
Major periodic maintenance work by Harbour City Ferries		5,196	4,993	-	-
Equity transfers	29	(257,211)	8,495	-	-
Net revaluation increment/(decrement) in net result	5	(3,586)	(354,471)	-	-
Non-cash investing activities		**(278,027)**	**8,069,730**	**-**	**-**
Non-cash financing and investing activities		**(408,800)**	**7,963,896**	**-**	**-**

26. Administered assets and liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Cash	39,891	33,805	-	-
Administered assets	**39,891**	**33,805**	**-**	**-**
Payables	322,235	266,182	-	-
Administered liabilities	**322,235**	**266,182**	**-**	**-**

Recognition and measurement

The consolidated entity administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the consolidated entity's own objectives.

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

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

27. Restatement of infrastructure assets

In previous years, the consolidated entity has carried bored and excavated tunnels and earthworks in the Country Regional Network and bored and excavated tunnels and earthworks entering service prior to 30 June 2000 in RailCorp at nil value on the basis that the assets could not be reliably measured. In 2017, the consolidated entity valued these assets using advances in technology, improved asset management systems, equipment and technical asset information. On balance, it now appears it may have been possible to reliably value these assets in a prior year. As a result, the consolidated entity recorded an additional $971.1 million in tunnel boring assets and $7,532.4 million in earthworks to correct the value of infrastructure assets as at 1 July 2016 with an adjustment to equity. The nature of the inputs to the valuation makes it impractical to retrospectively restate previously reported balances.

28. Financial instruments

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

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

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

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

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

28. Financial instruments (cont'd)

(a) Financial instrument categories

Consolidated	Note	Category	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Financial assets				
Class:				
Cash and cash equivalents	6	N/A	2,493,008	2,250,966
Receivables[1]	7	Loans and receivables (at amortised cost)	543,838	548,291
Financial assets at fair value	9	At fair value through profit or loss designated upon initial recognition	111,565	104,857
Financial assets at fair value	9	Fair value through profit or loss	5,411	388
Other financial assets	11	Loans and receivables/held-to-maturity investments (at amortised cost)	600,885	676,461
			3,754,707	**3,580,963**
Financial liabilities				
Class:				
Payables[2]	16,20	Financial liabilities measured at amortised cost	3,389,859	3,055,000
Borrowings	17	Financial liabilities measured at amortised cost	6,187,682	6,128,494
Financial liabilities at fair value	21	Fair value through profit or loss	2,189	5,301
			9,579,730	**9,188,795**

[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).

Parent	Note	Category	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Financial assets				
Class:				
Cash and cash equivalents	6	N/A	276	348
Receivables[1]	7	Loans and receivables (at amortised cost)	135	71
			411	**419**
Financial liabilities				
Class:				
Payables[2]	16	Financial liabilities measured at amortised cost	240	247
			240	**247**

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

28. Financial instruments (cont'd)

(a) Financial instrument categories (cont'd)

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

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

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

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

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

(b) Derivatives

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

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

All forward foreign exchange have been designated as hedging instruments in cash flow hedges in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

As at 30 June 2018, the only commodity swap contract held by the consolidated entity was an economic hedge to manage exposure to electricity price risk under the approved risk management policies. This derivative is not designated in a hedge relationship under AASB 139 Financial Instruments: Recognition and Measurement. It is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge. Changes in the fair value of derivative instruments that are not designated in a hedge relationship are recognised immediately in profit or loss as part of gain/(loss) in fair value of financial instruments.

The consolidated entity held \$5.4 million (2017: \$0.4 million) in derivative financial assets and \$2.2 million (2017: \$5.3 million) in derivative financial liabilities. The parent did not have any derivative financial assets or liabilities (2017: nil).

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

28. Financial instruments (cont'd)

(b) Derivatives (cont'd)

Consolidated		Weighted average exchange rate	Contract value $ '000	Expected Cash Flow: No later than 3 months $ '000	Later than 3 months and no later than 12 months $ '000	Later than 12 months $ '000	Total $ '000
2018	Denominated in US Dollars	0.7372	3,299	3,299	-	-	3,299
	Denominated in US Dollars	0.7326	9,523	-	9,523	-	9,523
	Denominated in US Dollars	0.7629	5,697	-	-	5,697	5,697
	Denominated in Euros	0.6327	1,811	1,811	-	-	1,811
	Denominated in Euros	0.6141	2,506	-	2,506	-	2,506
	Denominated in Euros	0.6361	25,883	17,393	6,454	2,036	25,883
	Denominated in Pounds Sterling	0.5600	1,168	-	1,168	-	1,168
	Foreign exchange contracts		**49,887**	**22,503**	**19,651**	**7,733**	**49,887**
	Favourable		15,813	-	9,945	5,868	15,813
	Non-favourable		1,375	-	2,573	(1,198)	1,375
	Commodity hedge contracts		**17,188**	**-**	**12,518**	**4,670**	**17,188**
2017	Denominated in US Dollars	0.7528	3,978	3,978	-	-	3,978
	Denominated in US Dollars	0.7433	8,764	-	8,764	-	8,764
	Denominated in US Dollars	0.7154	9,797	-	-	9,797	9,797
	Denominated in Euros	0.6610	20,515	6,871	9,841	3,803	20,515
	Denominated in Euros	0.6894	834	834	-	-	834
	Denominated in Pounds Sterling	0.5710	32	32	-	-	32
	Denominated in Pounds Sterling	0.5661	1,511	-	1,511	-	1,511
	Denominated in Pounds Sterling	0.5571	1,347	-	-	1,347	1,347
	Foreign exchange contracts		**46,778**	**11,715**	**20,116**	**14,947**	**46,778**
	Favourable		4,096	-	724	3,372	4,096
	Non-favourable		17,162	-	11,343	5,819	17,162
	Commodity hedge contracts		**21,258**	**-**	**12,067**	**9,191**	**21,258**

28. Financial instruments (cont'd)

(b) Derivatives (cont'd)

All derivatives are measured at fair value. Information about the exposure to credit risk, foreign exchange risk, commodity risk the methods and assumptions used in determining fair values of derivatives is provided in notes 28(e) and 28(f). Further details on derivatives are provided in notes 9 and 21.

(c) Credit risk

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

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

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

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

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

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

Receivables – trade debtors
All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the consolidated 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.

The consolidated entity 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 $10.7 million (2017: $13.1 million); parent entity nil (2017: nil)) and not more than 3 months overdue $31.3 million (2017: $32.9 million); parent entity nil (2017: nil)) are not generally considered impaired. These debtors represent 71.4% (2017: 72.2%) of the total trade debtors.

28. Financial instruments (cont'd)

(c) Credit risk (cont'd)

The only financial assets that are past due or impaired are "sales of goods and services" in the ''receivables" category of the Statement of financial position.

Consolidated		Past due but not impaired $ '000	Considered impaired $ '000	Total $ '000
2018	< 3 months overdue	31,281	795	32,076
	3 months - 6 months overdue	1,263	691	1,954
	> 6 months overdue	4,191	9,903	14,094
		36,735	**11,389**	**48,124**
2017	< 3 months overdue	32,915	541	33,456
	3 months - 6 months overdue	2,244	594	2,838
	> 6 months overdue	4,937	9,391	14,328
		40,096	**10,526**	**50,622**

[1] Each column in the table reports "gross receivables".
[2] The aging analysis excludes receivables that are not past due and not impaired. Therefore the total will not reconcile to the receivables total recognised in the Statement of financial position.
[3] There is no credit risk in parent entity.

The parent did not have any financial assets that are past due or impaired (2017: nil).

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

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

(d) Liquidity risk

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

The consolidated entity has access to credit facilities with NSW TCorp of $3,714.2 million (2017: $3,705.2 million) of which $3,035.4 million (2017: $2,980.4 million) had been used at reporting date.

28. Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

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

Maturity analysis and interest rate exposure of financial liabilities

Consolidated		Interest rate exposure				Maturity dates		
	Weighted average effective interest rate	Nominal amount[1] $ '000	Fixed interest rate $ '000	Variable interest rate $ '000	Non-interest bearing $ '000	< 1 year $ '000	1 - 5 years $ '000	> 5 years $ '000
2018								
Payables								
Trade creditors, accruals and other liabilities		3,389,819	-	-	3,389,819	3,184,083	205,071	665
Borrowings								
TCorp borrowings	3.08	3,035,444	3,005,444	30,000	-	108,665	2,224,091	702,688
Finance leases	7.90	3,152,238	3,152,238	-	-	154,351	649,154	2,348,733
Financial liabilities at fair value:								
Derivatives financial instruments		2,189	-	-	2,189	679	(2,651)	1,458
		9,579,690	**6,157,682**	**30,000**	**3,392,008**	**3,447,778**	**3,075,665**	**3,053,544**
2017								
Payables								
Trade creditors, accruals and other liabilities		3,055,001	-	-	3,055,001	2,859,136	195,199	666
Borrowings								
TCorp borrowings	3.10	2,980,427	2,774,561	205,866	-	280,604	1,986,606	713,217
Finance leases	8.50	3,148,067	3,148,067	-	-	135,844	645,024	2,367,199
Financial liabilities at fair value:								
Derivatives financial instruments		5,301	-	-	5,301	3,830	1,471	-
		9,188,796	**5,922,628**	**205,866**	**3,060,302**	**3,279,414**	**2,828,300**	**3,081,082**

28. Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

Parent		Interest rate exposure				Maturity dates		
	Weighted average effective int. rate (%)	Nominal amount[1] $ '000	Fixed interest rate $ '000	Variable interest rate $ '000	Non-interest bearing $ '000	< 1 year $ '000	1 - 5 years $ '000	> 5 years $ '000
2018								
Trade creditors and accruals		240	-	-	240	240	-	-
Payables		**240**	**-**	**-**	**240**	**240**	**-**	**-**
2017								
Trade creditors and accruals		247	-	-	247	247	-	-
Payables		**247**	**-**	**-**	**247**	**247**	**-**	**-**

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

28. Financial instruments (cont'd)

(e) Market risk

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

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

The effect on the net result and equity due to a reasonably possible change in risk variable is outlined in the information provided below, for interest rate risk and other price risk including currency movements. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the consolidated entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance date. The analysis is performed on the same basis as for 2017 and assumes that all other variables remain constant.

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

(i) Interest rate risk

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

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

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

(i) Interest rate risk (cont'd)

		-1%		+1%	
Consolidated	**Carrying amount 2018 $'000**	**Net result 2018 $'000**	**Equity 2018 $'000**	**Net result 2018 $'000**	**Equity 2018 $'000**
Financial assets					
Cash and cash equivalents	2,493,008	(24,933)	(24,933)	24,933	24,933
Financial assets at fair value	116,976	(1,116)	(1,116)	1,116	1,116
Other financial assets	600,885	(5,999)	(5,999)	5,999	5,999
	3,210,869	**(32,048)**	**(32,048)**	**32,048**	**32,048**
Financial liabilities					
Borrowings	6,187,682	300	300	(300)	(300)
Financial liabilities at fair value	2,189	-	-	-	-
	6,189,871	**300**	**300**	**(300)**	**(300)**

		-1%		+1%	
Consolidated	**Carrying amount 2017 $'000**	**Net result 2017 $'000**	**Equity 2017 $'000**	**Net result 2017 $'000**	**Equity 2017 $'000**
Financial assets					
Cash and cash equivalents	2,250,966	(22,510)	(22,510)	22,510	22,510
Financial assets at fair value	105,245	(1,049)	(1,049)	1,049	1,049
Other financial assets	676,461	(6,755)	(6,755)	6,755	6,755
	3,032,672	**(30,314)**	**(30,314)**	**30,314**	**30,314**
Financial liabilities					
Borrowings	6,128,494	2,059	2,059	(2,059)	(2,059)
Financial liabilities at fair value	5,301	-	-	-	-
	6,133,795	**2,059**	**2,059**	**(2,059)**	**(2,059)**

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

(i) Interest rate risk (cont'd)

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

			-1%	+1%	
Parent	**Carrying amount 2017 $'000**	**Net result 2017 $'000**	**Equity 2017 $'000**	**Net result 2017 $'000**	**Equity 2017 $'000**
Financial assets					
Cash and cash equivalents	348	(3)	(3)	3	3
	348	**(3)**	**(3)**	**3**	**3**

(ii) Foreign exchange risk

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

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

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

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

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

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

(ii) Foreign rate risk (cont'd)

			+10%		-10%	
Consolidated		**Contract value $ '000**	**Net result $ '000**	**Equity $ '000**	**Net result $ '000**	**Equity $ '000**
2018	Denominated in US Dollars	18,519	-	1,852	-	(1,852)
	Denominated in Euros	30,200	-	3,020	-	(3,020)
	Denominated in Pounds Sterling	1,168	-	117	-	(117)
	Foreign exchange contracts	**49,887**	**-**	**4,989**	**-**	**(4,989)**
2017	Denominated in US Dollars	22,539	-	2,254	-	(2,254)
	Denominated in Euros	21,349	-	2,135	-	(2,135)
	Denominated in Pounds Sterling	2,890	-	289	-	(289)
	Foreign exchange contracts	**46,778**	**-**	**4,678**	**-**	**(4,678)**

There is no foreign rate risk in parent entity.

(iii) Commodity price risk

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

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

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

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

A sensitivity of 10% movement in the spot price of the respective commodities has been selected for use in the sensitivity analysis at the reporting date.

			10%		-10%	
Consolidated		**Contract value $ '000**	**Net Result $ '000**	**Equity $ '000**	**Net Result $ '000**	**Equity $ '000**
2018	Distillate	18,386	-	1,839	-	(1,839)
2018	Electricity	76,080	7,608	-	(7,608)	-
2018		**94,466**	**7,608**	**1,839**	**(7,608)**	**(1,839)**
2017	Distillate	21,258	-	2,126	-	(2,126)
2017		**21,258**	**-**	**2,126**	**-**	**(2,126)**

28. Financial instruments (cont'd)

(e) Market risk (cont'd)

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

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

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

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

NSW TCorp is the trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, NSW TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, NSW TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information. The NSW TCorp Hour-Glass investment facilities are designated at fair value through profit and loss and, therefore, any change in unit price impacts directly on net result (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by NSW TCorp) multiplied by the redemption value as at 30 June each year.

The impact on the net result as a result of changes in the unit prices of the investments is not considered to be material.

28. Financial instruments (cont'd)

(f) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities and derivatives, which are measured at fair value.

The amortised cost of all other financial instruments recognised in the Statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments, with the exception of TCorp borrowings.

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

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

Consolidated	Carrying amount 2017 $'000	Fair value 2017 $'000	Fair value level 2017
Financial liabilities			
Borrowings	2,980,427	3,070,783	2
	2,980,427	**3,070,783**	

28. Financial instruments (cont'd)

(g) Fair value hierarchy

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

Consolidated	Level 1 2017 $'000	Level 2 2017 $'000	Level 3 2017 $'000	Total 2017 $'000
Financial assets				
Derivative financial instruments	-	388	-	388
Tcorp-Hour Glass investment facility	-	104,857	-	104,857
	-	**105,245**	**-**	**105,245**
Financial liabilities				
Derivative financial instruments	-	5,301	-	5,301
Borrowings	-	3,070,783	-	3,070,783
	-	**3,076,084**	**-**	**3,076,084**

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

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

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

The fair value of the TCorp Hour-Glass investments is based on the entity's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using redemption pricing.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

The fair value of commodity swap contracts is determined using market prices at the reporting date.

There were no transfers between Level 1, 2 or 3 during the year.

There were no changes in the valuation techniques during the year.

29. Equity and reserves

(a) Equity transfers

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Land transferred (to)/from Department of Planning and Environment[1]	12	(251,545)	-	-	-
Cash transferred to Department of Finance, Services and Innovation[2]		(8,708)	-	-	-
Other net equity transfer of property, plant and equipment[3]	12	(5,666)	8,495	-	-
Transfer from administrative restructure - others[4]		-	7,660	-	-
Equity transfers		**(265,919)**	**16,155**	**-**	**-**

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

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

[3] Other net equity transfers of property, plant and equipment comprise: administrative land and buildings valued at $3.1 million (2017: $2.4 million) transferred out from Roads and Maritime Services to Property NSW under Ministerial Order; land valued at $1.0 million (2017: $1.3 million) transferred out from Roads and Maritime Services to the Office of Environment Heritage for compensatory habitat loss as a result of road widening work; and surplus land related to the rail corridor between Rosewood and Tumbarumba valued at $1.6 million (2017: nil) transferred out from Transport for NSW to the NSW Department of Industry.

[4] Following the proclamation under the Transport Administration Amendment (Independent Transport Safety Regulator) Act 2017, Independent Transport Safety Regulator (ITSR) was abolished on 31 March 2017. ITSR ceased operations and operations were transitioned to the Office of the National Rail Safety Regulator (ONRSR) on 9 March 2017. The residual assets, rights and liabilities of ITSR were transferred to Transport for NSW under an order issued by the Minister for Transport and Infrastructure effective on and from 31 March 2017.

Recognition and measurement

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

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

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

29. Equity and reserves (cont'd)

(b) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the consolidated entity's policy on the revaluation of property, plant and equipment as discussed in note 12 (recognition and measurement (iii) and (iv)).

(c) Hedge reserve

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

(d) Accumulated funds

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

(e) Other reserves

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

(f) Contributed capital

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

30. Related party disclosures

(a) Key management personnel compensation

	Consolidated 2018 $'000	Parent 2018 $'000	Consolidated 2017 $'000	Parent 2017 $'000
Short-term employee benefits	3,040	-	2,704	-
Post-employment benefits	121	-	119	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	324	-
	3,161	**-**	**3,147**	**-**

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

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

30. Related party disclosures (cont'd)

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

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

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

During the 2018 financial year, the consolidated entity entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Grants and contributions from NSW Treasury to fund redundancy grants in the Transport cluster, Roads and Maritime Services capital works, Sydney Metro City and Southwest project funded by Restart NSW, Northern Beaches B-line project and Parramatta Light Rail project
- Grants and contributions from the Department of Family & Community Services for the Community Transport Group funding scheme, and from various NSW government agencies (including Department of Justice, The Ministry for Police & Emergency Services, and Service NSW)
- All long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW, Roads and Maritime Services and all senior executives were assumed by the Crown
- Net equity transfers of property, plant and equipment (mainly land) from Transport for NSW and Roads and Maritime Services to various NSW government agencies (including Department of Planning and Environment, Office of Environment and Heritage, and Property NSW)
- The Pooled Fund held in trust the investment relating to the closed NSW public sector superannuation schemes
- Investment in TCorp Hourglass facilities and investment revenue earned from these facilities
- NSW TCorp borrowings and associated interest expense
- Capital funding via equity from NSW Treasury

31. After balance date events

Metropolitan bus operations for the Southern region (region 6) previously carried out by State Transit Authority (STA) under contract with Transport for NSW are carried out by Transit System West Services Pty Limited (Transit Systems West) from 1 July 2018. Assets related to region 6 are leased from the consolidated entity to Transit Systems West.

On 3 July 2018 Transport for NSW entered into an agreement that provides a guarantee of up to $500.0 million against a borrowing facility provided by some of the private sector debt providers to ALTRAC Light Rail Consortium (ALTRAC), which is currently constructing the Sydney Light Rail. ALTRAC's borrowing facility has three tranches totalling $500.0 million. The first tranche of $100.0 million was advanced by those lenders to ALTRAC on 3 July 2018. The second tranche of $100.0 million has been made available to be drawn down by ALTRAC from 20 September 2018 once certain conditions have been met. The remaining tranche cannot be advance to ALTRAC by its lenders unless certain conditions are met, including the agreement of Transport for NSW. As this guarantee is a contingent liability, there is no impact to the financial position of Transport for NSW as a result of providing this guarantee. The extent to which the guarantee may be called upon will depend on a number of factors, including the ultimate resolution of various disputes between Transport for NSW and ALTRAC.

End of Audited Financial Statements

INDEPENDENT AUDITOR'S REPORT

Department of Transport

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Department of Transport (the Department), which comprise the Statements of Comprehensive Income for the year ended 30 June 2018, the Statements of Financial Position as at 30 June 2018, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information of the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Department and the consolidated entity as at 30 June 2018, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in the annual report of the Department and the consolidated entity for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Secretary of the Department is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

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

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

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

I have nothing to report in this regard.

Secretary's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Department and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Margaret Crawford
Auditor-General of New South Wales

22 October 2018
SYDNEY

Transport for NSW

Annual Financial Statements

for the year ended 30 June 2018

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Transport for NSW
Statement by the Secretary
for the year ended 30 June 2018

Pursuant to sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I state that:

(a) The accompanying financial statements have been prepared in accordance with:

- Applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- The requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*; and
- The Financial Reporting Directions issued by the Treasurer under section 9(2) (n) of the Act;

(b) The statements exhibit a true and fair view of the financial position of Transport for NSW as at 30 June 2018, and of its financial performance for the year then ended; and

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

Rodd Staples
Secretary

Date: 10 October 2018

Transport for NSW
Statement of comprehensive income
for the year ended 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
Expenses excluding losses			
Operating expenses			
Personnel service expenses	2(a)	473,410	419,186
Other operating expenses	2(b)	680,154	757,396
Major rail project expense	2(c)	1,205,981	1,124,071
Maintenance	2(d)	130,960	120,827
Depreciation and amortisation	2(e)	555,696	366,384
Grants and subsidies	2(f)	9,122,038	7,956,263
Finance costs	2(g)	96,588	93,681
Other expenses	2(h)	1,337,360	1,290,525
Total expenses excluding losses		**13,602,187**	**12,128,333**
Revenue			
Appropriation	3(a)	12,262,646	11,088,651
Sale of goods and services	3(b)	337,692	328,035
Investment revenue	3(c)	19,224	9,503
Shared and corporate services revenue	3(d)	230,418	230,933
Grants and contributions	3(e)	3,011,205	2,617,875
Major rail project revenue	3(f)	1,205,981	1,124,071
Resources received free of charge	3(g)	20,354	12,353
Other revenue	3(h)	51,405	-
Total revenue		**17,138,925**	**15,411,421**
Gain/(loss) on disposal	4	(50,661)	(2,744)
Other gains/(losses)	5	(57,072)	(168,009)
Net result		**3,429,005**	**3,112,335**
Other comprehensive income			
Items that may be reclassified subsequently to net result			
Net gains/(losses) in commodity swaps and foreign exchange		1,796	548
Items that will not be reclassified to net result			
Net increase/(decrease) in asset revaluation surplus	11	-	683,718
Total other comprehensive income		**1,796**	**684,266**
Total comprehensive income		**3,430,801**	**3,796,601**

The accompanying Notes form part of these financial statements.

Transport for NSW
Statement of financial position
as at 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	756,784	754,685
Receivables	8	482,956	490,289
Financial assets at fair value	9	442	20
Other financial assets	10	30,000	85,000
Total current assets		**1,270,182**	**1,329,994**
Non-current assets			
Financial assets at fair value	9	73	21
Other financial assets	10	1,006	929
Property plant and equipment			
Land and buildings	11	265,533	315,717
Plant and equipment	11	1,481,414	1,408,195
Infrastructure systems	11	12,386,068	10,335,053
Property, plant and equipment	11	14,133,015	12,058,965
Intangible assets	12	941,363	858,803
Other assets	13	2,777,321	1,661,509
Total non-current assets		**17,852,778**	**14,580,227**
Total assets		**19,122,960**	**15,910,221**
LIABILITIES			
Current liabilities			
Payables	15	1,275,495	1,545,537
Borrowings	16	561,766	199,874
Provisions	17	16,295	4,035
Other liabilities	18	173,809	195,799
Financial liabilities at fair value	19	215	1,333
Total current liabilities		**2,027,580**	**1,946,578**
Non-current liabilities			
Borrowings	16	1,016,642	1,388,044
Provisions	17	16,538	7,871
Other liabilities	18	190,039	176,381
Financial liabilities at fair value	19	1,505	204
Total non-current liabilities		**1,224,724**	**1,572,500**
Total liabilities		**3,252,304**	**3,519,078**
Net assets		**15,870,656**	**12,391,143**
EQUITY			
Accumulated funds		15,011,977	11,534,260
Reserves		858,679	856,883
Total equity		**15,870,656**	**12,391,143**

The accompanying Notes form part of these financial statements.

Transport for NSW
Statement of changes in equity
for the year ended 30 June 2018

	Notes	Accumulated funds $ '000	Asset revaluation surplus $ '000	Hedge reserve $ '000	Total equity $ '000
Balance at 1 July 2017		11,534,260	858,379	(1,496)	12,391,143
Net result for the year		**3,429,005**	**-**	**-**	**3,429,005**
Other comprehensive income					
Net gains/(losses) in commodity swaps and foreign exchange		-	-	1,796	1,796
Total other comprehensive income		**-**	**-**	**1,796**	**1,796**
Total comprehensive income for the year		**3,429,005**	**-**	**1,796**	**3,430,801**
Transactions with owners in their capacity as owners					
Equity transfers	23	48,712	-	-	48,712
Balance at 30 June 2018		**15,011,977**	**858,379**	**300**	**15,870,656**
Balance at 1 July 2016		4,149,802	174,661	(2,044)	4,322,419
Restatement of infrastructure assets	25	4,258,671	-	-	4,258,671
Restated balance at 1 July 2016		**8,408,473**	**174,661**	**(2,044)**	**8,581,090**
Net result for the year		**3,112,335**	**-**	**-**	**3,112,335**
Net gains/(losses) in commodity swaps and foreign exchange		-	-	548	548
Net increase/(decrease) in asset revaluation surplus	11	-	683,718	-	683,718
Total other comprehensive income		**-**	**683,718**	**548**	**684,266**
Total comprehensive income for the year		**3,112,335**	**683,718**	**548**	**3,796,601**
Transactions with owners in their capacity as owners					
Equity transfers	23	5,793	-	-	5,793
Increase/(decrease) in net assets from administrative restructure	27	7,659	-	-	7,659
Balance at 30 June 2017		**11,534,260**	**858,379**	**(1,496)**	**12,391,143**

The accompanying Notes form part of these financial statements.

Transport for NSW
Statement of cash flows
for the year ended 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
Cash flows from operating activities			
Payments			
Cash transfers to the Consolidated Fund		(46,767)	-
Personnel services		(464,706)	(499,824)
Grants and subsidies		(9,042,244)	(7,860,859)
Finance costs		(96,587)	(93,680)
Bus, ferry and light rail contract payments		(1,327,350)	(1,281,159)
Electronic ticketing systems payments to operators		(1,700,242)	(1,500,202)
Other		(2,918,103)	(2,582,734)
Total payments		**(15,595,999)**	**(13,818,458)**
Receipts			
Appropriation		12,262,646	11,135,418
Sale of goods and services		2,466,493	2,333,200
Interest received		11,269	7,599
Grants and contributions		3,011,205	2,657,911
Electronic ticketing systems cardholder receipts		1,699,072	1,567,655
Total receipts		**19,450,685**	**17,701,783**
Net cash flows from operating activities	20	**3,854,686**	**3,883,325**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		49,847	3,005
Purchases of property, plant and equipment and intangible assets		(3,826,790)	(3,938,825)
Purchase of investments		-	(85,000)
Proceeds from sale of investments		55,000	-
Other		1,427	(454)
Net cash flows from investing activities		**(3,720,516)**	**(4,021,274)**
Cash flows from financing activities			
Proceeds from borrowings and advances		577	-
Repayment of borrowings and advances		(132,648)	(119,704)
Net cash flows from financing activities		**(132,071)**	**(119,704)**
Net increase/(decrease) in cash		**2,099**	**(257,653)**
Opening cash and cash equivalents		754,685	1,004,471
Cash and cash equivalents transferred (out)/in as a result of administrative restructure	27	-	7,867
Closing cash and cash equivalents	7	**756,784**	**754,685**

The accompanying Notes form part of these financial statements.

Transport for NSW
Program group statements
for the year ended 30 June 2018

Expenses and income

	Network Access		Network Performance		Network Capacity Enhancements		Urban Renewal		Not attributable		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expenses excluding losses												
Operating expenses												
Personnel service expenses	78,586	113,884	379,675	296,855	12,309	3,800	2,840	4,647	-	-	473,410	419,186
Other operating expenses	112,906	233,438	545,483	517,169	17,684	3,981	4,081	2,808	-	-	680,154	757,396
Major rail project expense	-	-	-	-	1,205,981	1,124,071	-	-	-	-	1,205,981	1,124,071
Maintenance	21,739	1,495	105,030	33,589	3,405	85,743	786	-	-	-	130,960	120,827
Depreciation and amortisation	151,305	78,389	401,197	248,788	3,194	39,207	-	-	-	-	555,696	366,384
Grants and subsidies	2,134,257	2,059,765	6,985,146	5,893,397	2,141	3,101	494	-	-	-	9,122,038	7,956,263
Finance costs	16,034	15,206	77,463	78,475	2,511	-	580	-	-	-	96,588	93,681
Other expenses	1,662	200	1,335,378	1,290,325	260	-	60	-	-	-	1,337,360	1,290,525
Total expenses excluding losses	**2,516,489**	**2,502,377**	**9,829,372**	**8,358,598**	**1,247,485**	**1,259,903**	**8,841**	**7,455**	**-**	**-**	**13,602,187**	**12,128,333**
Revenue												
Appropriation	-	-	-	-	-	-	-	-	12,262,646	11,088,651	12,262,646	11,088,651
Sale of goods and services	56,057	230,672	270,829	80,265	8,780	17,098	2,026	-	-	-	337,692	328,035
Investment revenue	3,191	3,985	15,418	2,423	500	3,095	115	-	-	-	19,224	9,503
Shared and corporate services revenue	38,249	-	184,795	230,933	5,991	-	1,383	-	-	-	230,418	230,933
Grants and contributions	23,412	89,930	2,823,280	2,527,945	3,667	-	160,846	-	-	-	3,011,205	2,617,875
Major rail project revenue	-	-	-	-	1,205,981	1,124,071	-	-	-	-	1,205,981	1,124,071
Resources received free of charge	3,379	2,791	16,324	9,279	529	128	122	155	-	-	20,354	12,353
Other revenue	8,533	-	41,227	-	1,337	-	308	-	-	-	51,405	-
Total revenue	**132,821**	**327,378**	**3,351,873**	**2,850,845**	**1,226,785**	**1,144,392**	**164,800**	**155**	**12,262,646**	**11,088,651**	**17,138,925**	**15,411,421**
Gain/(loss) on disposal	(25,417)	-	(25,244)	2,066	-	(4,810)	-	-	-	-	(50,661)	(2,744)
Other gains/(losses)	-	-	(57,072)	(168,009)	-	-	-	-	-	-	(57,072)	(168,009)
Net gain/(loss) on commodity swaps and foreign exchange	-	-	1,796		-	-	-	-	-	-	1,796	-
Net increase/(decrease) in asset revaluation surplus	-	-	-	684,266	-	-	-	-	-	-	-	684,266
Total other comprehensive income	**-**	**-**	**1,796**	**684,266**	**-**	**-**	**-**	**-**	**-**	**-**	**1,796**	**684,266**
Total comprehensive income	**(2,409,085)**	**(2,174,999)**	**(6,558,019)**	**(4,989,430)**	**(20,700)**	**(120,321)**	**155,959**	**(7,300)**	**12,262,646**	**11,088,651**	**3,430,801**	**3,796,601**

The names and purposes of each program group are summarised in Note 6.

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

Transport for NSW
Program group statements
for the year ended 30 June 2018

Assets and liabilities

	Network Access		Network Performance		Network Capacity Enhancements		Urban Renewal		Not attributable		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
ASSETS												
Current assets												
Cash and cash equivalents	125,626	530,690	606,941	184,660	19,676	39,335	4,541	-	-	-	756,784	754,685
Receivables	80,171	344,768	387,330	119,966	12,557	25,555	2,898	-	-	-	482,956	490,289
Financial assets at fair value	-	-	442	20	-	-	-	-	-	-	442	20
Other financial assets	30,000	85,000	-	-	-	-	-	-	-	-	30,000	85,000
Total current assets	**235,797**	**960,458**	**994,713**	**304,646**	**32,233**	**64,890**	**7,439**	**-**	**-**	**-**	**1,270,182**	**1,329,994**
Non-current assets												
Financial assets at fair value	-	-	73	21	-	-	-	-	-	-	73	21
Other financial assets	1,006	929	-	-	-	-	-	-	-	-	1,006	929
Property, plant and equipment												
Land and buildings	33,155	26,280	197,831	255,727	34,547	33,710	-	-	-	-	265,533	315,717
Plant and equipment	474,991	472,031	1,006,423	936,164	-	-	-	-	-	-	1,481,414	1,408,195
Infrastructure systems	234,625	257,375	11,992,610	9,901,995	156,108	174,694	2,725	989	-	-	12,386,068	10,335,053
Property, plant and equipment	742,771	755,686	13,196,864	11,093,886	190,655	208,404	2,725	989	-	-	14,133,015	12,058,965
Intangible assets	388,943	379,903	21,298	15,519	531,122	463,381	-	-	-	-	941,363	858,803
Other assets	-	-	-	-	2,777,321	1,661,509	-	-	-	-	2,777,321	1,661,509
Total non-current assets	**1,132,720**	**1,136,518**	**13,218,235**	**11,109,426**	**3,499,098**	**2,333,294**	**2,725**	**989**	**-**	**-**	**17,852,778**	**14,580,227**
Total assets	**1,368,517**	**2,096,976**	**14,212,948**	**11,414,072**	**3,531,331**	**2,398,184**	**10,164**	**989**	**-**	**-**	**19,122,960**	**15,910,221**
LIABILITIES												
Current liabilities												
Payables	211,732	458,160	1,022,947	1,074,054	33,163	7,813	7,653	5,510	-	-	1,275,495	1,545,537
Borrowings	561,766	199,874	-	-	-	-	-	-	-	-	561,766	199,874
Provisions	-	-	16,295	4,035	-	-	-	-	-	-	16,295	4,035
Other liabilities	173,809	145,612	-	3,420	-	-	-	-	-	46,767	173,809	195,799
Financial liabilities at fair value	-	-	215	1,333	-	-	-	-	-	-	215	1,333
Total current liabilities	**947,307**	**803,646**	**1,039,457**	**1,082,842**	**33,163**	**7,813**	**7,653**	**5,510**	**-**	**46,767**	**2,027,580**	**1,946,578**
Non-current liabilities												
Borrowings	1,016,642	1,388,044	-	-	-	-	-	-	-	-	1,016,642	1,388,044
Provisions	-	-	16,538	7,871	-	-	-	-	-	-	16,538	7,871
Other liabilities	-	-	-	-	190,039	176,381	-	-	-	-	190,039	176,381
Financial liabilities at fair value	-	-	1,505	204	-	-	-	-	-	-	1,505	204
Total non-current liabilities	**1,016,642**	**1,388,044**	**18,043**	**8,075**	**190,039**	**176,381**	**-**	**-**	**-**	**-**	**1,224,724**	**1,572,500**
Total liabilities	**1,963,949**	**2,191,690**	**1,057,500**	**1,090,917**	**223,202**	**184,194**	**7,653**	**5,510**	**-**	**46,767**	**3,252,304**	**3,519,078**
Net assets	**(595,432)**	**(94,714)**	**13,155,448**	**10,323,155**	**3,308,129**	**2,213,990**	**2,511**	**(4,521)**	**-**	**(46,767)**	**15,870,656**	**12,391,143**

The names and purposes of each program group are summarised in Note 6.

Administered expenses and income

	Network Access		Network Performance		Network Capacity Enhancements		Urban Renewal		Not attributable		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Administered expenses												
Transfer payments - taxes, fees and fines	-	-	-	-	-	-	-	-	5,892	12,749	5,892	12,749
Total administered expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,892**	**12,749**	**5,892**	**12,749**
Administered income												
Transfer receipts - taxes, fees and fines	-	-	-	-	-	-	-	-	7,683	12,577	7,683	12,577
Total administered income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,683**	**12,577**	**7,683**	**12,577**
Administered income less expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,791**	**(172)**	**1,791**	**(172)**

The names and purposes of each program group are summarised in Note 6.
Administered assets and liabilities are disclosed in Note 29.

1. Summary of significant accounting policies

(a) Transport for NSW - Reporting entity

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

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

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

On 1 July 2017 Residual Transport Corporation (RTC) was established under the *Transport Administration Amendment (Transport Entities) Act 2017*. Transport for NSW has determined that RTC is an entity under its control from 1 July 2017 for financial reporting purposes. The purpose of RTC is to hold, manage, operate and maintain transport assets.

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

Transport for NSW, a controlled entity of the Department of Transport, has received an exemption from NSW Treasury from preparing consolidated financial statements on the basis that the Department of Transport, as the parent entity of Transport for NSW, produces consolidated financial statements. These financial statements are for the Transport for NSW parent entity only.

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

Transport for NSW is consolidated as part of the NSW Total State Sector Accounts, which is the ultimate parent. The financial statements of Transport for NSW for the year ended 30 June 2018 were authorised for issue by the Secretary on the date the accompanying Statement was signed.

(b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*; and
- Financial Reporting Directions mandated by the NSW Treasurer.

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

(b) Basis of preparation (cont'd)

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

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

(c) Critical accounting estimates, judgement and assumptions

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

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

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

(d) Statement of compliance

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

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

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

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

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

(f) Comparative information

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

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

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

(i) Effective for the first time in 2018

The accounting policies applied in 2018 are consistent with those of the previous financial year with the exception of AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.*

The adoption of AASB 2016-2 resulted in additional disclosures in the notes to the financial statements. AASB 2016-2 amends AASB 107 *Statement of Cash Flows* to require Tier 1 reporting entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and no-cash changes.

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

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

AASB 16 *Leases* will apply to annual reporting periods beginning on or after 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. Transport for NSW is currently undertaking a detailed assessment of the impact of AASB 16. The application of this standard is expected to have a significant transitional impact as a result of operating leases, except those that are short term and low value, being brought onto balance sheet.

AASB 15 *Revenue from Contracts with Customers*, including the amendments AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8 has application from annual reporting periods on or after 1 January 2019. This standard impacts the timing of recognition of certain revenue given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). Transport for NSW is currently undertaking a detailed assessment of the impact of AASB 15 but at this stage is not anticipating a significant transitional impact.

AASB 1058 *Income of Not-for-profit Entities* has application from annual reporting periods on or after 1 January 2019. The introduction of AASB 1058 results in the amendment of AASB 1004 *Contributions* with many of its requirements being revised and relocated to AASB 1058. This standard can result in deferring the recognition of income in some circumstances. Transport for NSW is currently undertaking a detailed assessment of the impact of AASB 1058 but at this stage is not anticipating a significant transitional impact.

AASB 1059 *Service Concession Arrangements: Grantors* will apply to annual reporting periods beginning on or after 1 January 2019. The standard requires the grantor to recognise a service concession asset, at current replacement cost, in a service concession arrangement where it controls the asset. A corresponding liability is also recognised depending on the nature of the consideration exchanged. Transport for NSW is currently undertaking a detailed assessment of the impact of AASB 1059. At this stage, this standard is expected to have a significant transitional impact as a result of the Public Private Partnership arrangement with a private sector operator.

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

Standard	Applicable to annual reporting periods beginning on or after
AASB 9 Financial Instruments	1 January 2018
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2019

2. Expenses excluding losses

(a) Personnel service expenses

	2018 $'000	2017 $'000
Salaries and wages (including annual leave)	374,457	343,451
Superannuation - defined benefit plans	3,341	4,285
Superannuation - defined contribution plans	31,979	27,731
Long service leave	16,000	7,155
Workers' compensation insurance	603	344
Payroll tax and fringe benefits tax	23,996	21,156
Redundancy payments	21,738	14,170
Other	1,296	894
Personnel service expenses	**473,410**	**419,186**

In addition to the above, $200.5 million (2017: $249.8 million) has been included in major rail project expenses, non-cash grant expenses and capitalised in intangible assets.

In 2017 personnel service expenses of $503.0 million included skilled hire contractors of $83.9 million which has been reclassified to other operating expenses under other contractors.

(b) Other operating expenses

	2018 $'000	2017 $'000
Auditor's remuneration - audit of financial statements	520	660
Advertising and marketing	49,716	41,851
Telecommunications	28,236	49,811
Consultants	8,959	5,277
Electricity, gas and water	3,594	2,893
Fleet hire and leasing charges including access fees	2,376	2,519
General expenses	30,761	28,823
Information technology	181,830	105,902
Insurance	1,701	1,560
Legal services	6,530	3,450
Office expenses	19,508	16,641
Other contractors	276,820	442,655
Property rent and other related expenses	63,814	50,326
Security costs	1,325	1,495
Travel expenses	4,464	3,533
Other operating expenses	**680,154**	**757,396**

Other contractors for 2017 includes skilled hire contractors of $83.9 million which was reported as personnel service expenses in 2017.

2. Expenses excluding losses (cont'd)

(c) Major rail project expenses

	2018 $'000	2017 $'000
Personnel related expenses	106,283	87,215
Other contractors	996,927	981,880
Property acquisition	33,691	8,128
Legal services	17,000	11,546
Rent and other related expenses	18,163	10,767
Information technology and telecommunication expenses	7,573	5,945
Other	26,344	18,590
Major rail project expenses	**1,205,981**	**1,124,071**

Gross amount due from/(to) RailCorp and billing to date are as follows:

	2018	2017
Costs incurred	(1,205,981)	(1,124,071)
Billings to date	1,205,981	1,124,071
Gross amount due from RailCorp	**-**	**-**

(d) Maintenance

	2018 $'000	2017 $'000
Maintenance - general	46,202	36,306
Maintenance - rail infrastructure system	84,758	84,521
Maintenance	**130,960**	**120,827**

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

(e) Depreciation and amortisation

	Notes	2018 $'000	2017 $'000
Road and maritime infrastructure systems			
Road and maritime infrastructure systems		7	-
Infrastructure systems			
Rail systems		273,668	130,149
Buildings			
Buildings		8,707	7,643
Plant and equipment			
Rolling stock		1,424	1,092
Ferries		276	-
Buses		5,532	-
Plant and equipment		61,006	56,675
Finance leased buses		116,772	107,994
Depreciation	11	**467,392**	**303,553**
Computer systems		85,581	61,904
Right of use		2,723	927
Amortisation	12	**88,304**	**62,831**
Depreciation and amortisation		**555,696**	**366,384**

Please refer to Note 11 and 12 for recognition and measurement policies on depreciation and amortisation.

2. Expenses excluding losses (cont'd)

(f) Grants and subsidies

	2018 $'000	2017 $'000
Taxi Transport Subsidy Scheme	40,693	37,416
Community transport groups	79,463	79,187
Private Vehicle Conveyance	21,985	18,453
Carparks and interchanges	8,643	8,516
Grants to councils - maintenance of transport infrastructure	3,891	10,013
National transport regulators	10,020	12,686
Road safety grant to NSW Police	26,529	29,051
Rail services and capital works	2,130,892	2,047,996
Roads and Maritime services & capital works	6,761,499	5,548,194
Ferry capital works	-	37,993
Point to point assistance package[1]	-	92,380
Others	26,612	20,862
Other transport operators	11,811	13,516
Grants and subsidies	**9,122,038**	**7,956,263**

[1] Point to Point assistance was provided to taxi licence holders in 2017 following the NSW Government's reforms to the taxi and hire car industries.

(g) Finance costs

	2018 $'000	2017 $'000
Finance lease interest charges	81,730	78,475
Interest expenses on NSW TCorp borrowings	14,858	15,206
Finance costs	**96,588**	**93,681**

(h) Other expenses

	2018 $'000	2017 $'000
Bus contract payments - metropolitan and outer metro bus operators	804,216	785,419
Major events - hire of bus and rail services	10,007	9,363
Ferry contract payments	82,985	68,435
Light rail contract payments	38,057	33,315
Bus contract payments - rural and regional bus operators	393,354	384,881
Nightride bus services	8,741	9,112
Other expenses	**1,337,360**	**1,290,525**

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

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2. Expenses excluding losses (cont'd)

Recognition and measurement

(i) Personnel services expenses

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

Some personnel service expenses are included in the construction costs of intangible assets and rail infrastructure systems and are, therefore, not included in the personnel service expenses.

(ii) Other operating expenses

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

(iii) Insurance

Transport for NSW arranges insurance cover through the NSW Treasury Managed Fund Scheme apart from country rail infrastructure cover which is arranged through private insurance providers. The cost of insurance is expensed in the period to which the insurance cover relates.

(iv) Operating leases

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

(v) Major rail project expenses

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

(vi) Maintenance

There is no maintenance costs included in personnel related expenses.

(vii) Grants and subsidies

Grants and subsidies generally comprise contributions in cash or in kind to transport services providers and various local government authorities and not-for-profit community organisations.

(viii) Finance costs

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

3. Revenue

(a) Appropriation

		2018 $'000		2017 $'000	
	Notes	**Appropriation**	**Expenditure**	**Appropriation**	**Expenditure**
Original budget per Appropriation Act/expenditure		12,766,708	12,262,646	11,477,595	11,088,651
Transfers to/from another entity (s27 of Appropriation Act)		(5,000)	-	(67,700)	-
Total appropriations/expenditure/ net claim on Consolidated Fund (includes transfer payments)		**12,761,708**	**12,262,646**	**11,409,895**	**11,088,651**
Appropriation drawn down			12,262,646		11,135,418
Liability to Consolidated Fund	18		**-**		**(46,767)**

	2018	2017
Appropriation (per Statement of comprehensive income)	**12,262,646**	**11,088,651**
Comprising:		
Recurrent appropriation	10,523,134	9,101,016
Capital appropriation	1,739,512	1,987,635
	12,262,646	**11,088,651**

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

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

(b) Sale of goods and services

	2018 $'000	2017 $'000
Passenger service revenue	20,350	11,275
Fees for services rendered including salary recoupments	19,664	32,182
Access fees	10,341	11,948
Other	14,423	15,399
Major events revenue	5,834	6,065
Training	5,672	4,016
Recoupment of project costs	261,408	247,150
Sale of goods and services	**337,692**	**328,035**

3. Revenue (cont'd)

(c) Investment income

	2018 $'000	2017 $'000
Rental Income	3,737	3,093
Interest income from financial assets not at fair value through profit or loss	15,487	6,410
Investment revenue	**19,224**	**9,503**

(d) Shared and corporate services revenue

	2018 $'000	2017 $'000
Shared and corporate services revenue	230,418	230,933
Shared and corporate services revenue	**230,418**	**230,933**

(e) Grants and contributions

	2018 $'000	2017 $'000
Department of Family and Community Services[1]	71,732	71,530
Urban Growth NSW Development Corporation[2]	160,000	-
Developer contributions	1,893	7,063
Crown Entity[3]	2,777,580	2,539,282
Grants and contributions	**3,011,205**	**2,617,875**

[1] Transport for NSW received grants of $71.7 million (2017: $71.5 million) from the Department of Family and Community Services for the Community Transport Program funding scheme.
[2] Transport for NSW received a capital contribution of $160.0 million from Urban Growth NSW Development Corporation for the Sydney Metro City & South West project.
[3] Transport for NSW received grants from the Crown Entity of $67.4 million (2017: $64.7 million) to fund redundancies in the Transport cluster, $889.7 million (2017: $616.5 million) for RMS capital works, $1,484.7 million (2017: $1,734.5 million) for Sydney Metro City and Southwest project funded by Restart NSW, $200.8 million (2017: $25.4 million) for Northern Beaches B-line project, $123.6 million (2017: $98.2 million) for Parramatta Light Rail project and other projects $11.3 million (2017: nil).

(f) Major rail project revenue

	Notes	2018 $'000	2017 $'000
Major rail project revenue	2(c)	1,205,981	1,124,071
Major rail project revenue		**1,205,981**	**1,124,071**

3. Revenue (cont'd)

(g) Resources received free of charge

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

	2018 $'000	2017 $'000
Personnel services - superannuation - defined benefit	3,528	4,646
Personnel services - long service leave	16,595	7,452
Personnel services - payroll tax	231	255
Resources received free of charge	**20,354**	**12,353**

(h) Other Revenue

	2018 $'000	2017 $'000
Recognition of assets	51,405	-
Other revenue	**51,405**	**-**

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

Recognition and measurement

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

(i) Parliamentary appropriations and contributions

Parliamentary appropriations and contributions from other bodies (including grants and contributions) are generally recognised as income when Transport for NSW obtains control over the assets comprising the appropriations/contributions. Control over appropriations/contributions is normally obtained upon the receipt of cash. At year end unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund. Any liability is disclosed in Note 18 as part of "Other liabilities". The amount will be repaid and the liability will be extinguished in the next financial year. Please refer to Summary of compliance with financial directives.

(ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when Transport for NSW transfers the significant risks and rewards of ownership of the assets.

3. Revenue (cont'd)

Recognition and measurement (cont'd)

(iii) Rendering of services

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

(iv) Investment income

Interest income on cash and cash equivalents is recognised using the effective interest method as set out AASB 139 *Financial Instruments: Recognition and Measurement*. Rental income is recognised in accordance with AASB 117 *Leases* on a straight line basis over the lease term. Royalty income is recognised in accordance with AASB 118 *Revenue* on an accrual basis in accordance with the substance of the relevant agreement.

(v) Shared and corporate services revenue

Shared and corporate services revenue represents revenue for the provision of shared and other corporate services to various transport operating entities and is recognised when the service is provided.

(vi) Grants and contributions

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

(vii) Major rail project revenue

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

4. Gain/(loss) on disposal

	Notes	2018 $'000	2017 $'000
Proceeds from asset sale		49,847	2,068
Net carrying amount of property, plant and equipment disposed	11	(26,935)	(5,275)
Net carrying amount of intangibles disposed	12	(73,573)	-
Gain/(loss) on disposal of non-current assets held for sale		-	463
Gain/(loss) on disposal		**(50,661)**	**(2,744)**

5. Other gains/(losses)

	2018 $'000	2017 $'000
Revaluation increment/(decrement)	(54,952)	(168,031)
Allowance for impairment of receivables	(636)	22
Foreign exchange gains/(losses)	21	-
Fair value gains/(losses) on financial instruments	(1,505)	-
Other gains/(losses)	**(57,072)**	**(168,009)**

Recognition and measurement

Impairment losses

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

- Receivables – Note 8
- Other financial assets – Note 10
- Property, plant and equipment – Note 11
- Intangible assets – Note 12

6. Program groups of Transport for NSW

Transport for NSW has four program groups namely:

Network access

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

Network performance

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

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

Network capacity enhancements

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

Urban renewal

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

7. Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank and on hand	756,784	754,685
Cash and cash equivalents	**756,784**	**754,685**

Cash and cash equivalents comprises of cash at bank held predominantly through the Treasury Banking System (TBS). $269.3 million (2017: $183.8 million) of Opal fare box revenue to be paid to service operators and Opal cardholder balances comprise of accounts held through the TBS and outside of the TBS and in the case of term deposits of less than 90 days, TCorp. Cash and cash equivalents outside of the TBS are held with well rated major Australian banks.

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

	2018 $'000	2017 $'000
Cash and cash equivalents (per Statement of financial position)	756,784	754,685
Cash and cash equivalents (per Statement of cash flows)	**756,784**	**754,686**

Refer Note 26 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Cash and cash equivalent assets do not include funds held in trust for compulsory land acquisition compensation payable under the *Land Acquisition (Just Terms Compensation) Act 1991* $22.8 million (2017: $24.1 million).

Restricted cash and cash equivalents

Cash and cash equivalent assets include restricted cash of $89.2 million (2017: $137.1 million), of which $68.3 million (2017: $126.3 million) has been quarantined specifically in relation to the Parking Space Levy (PSL), $14.9 million (2017: $10.7 million) for Community Transport Groups and $5.8 million in relation to the Community Road Safety Fund (2017: nil).

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

7. Cash and cash equivalents (cont'd)

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

The Community Road Safety Fund was established under the *Transport Administration Act 1988*. The fund requires that all fines and penalties recovered for camera recorded speeding offences and camera recorded mobile phone use offences is to be spent on road safety. At balance date the surplus funds to be quarantined is $5.8 million (2017: nil).

8. Receivables

	2018 $'000	2017 $'000
Sale of goods and services	113,685	70,456
Goods and Services Tax recoverable	126,427	160,341
Prepayments	108,722	93,223
Income receivable	17,442	88,077
Other receivables	111,491	76,586
Investment income receivable	5,891	1,672
	483,658	**490,355**
Less: Allowance for impairment	(702)	(66)
Current receivables	**482,956**	**490,289**
Movement in allowance for impairment		
Balance at 1 July	(66)	(88)
Increase in allowance recognised in net result	(636)	(352)
Amounts recovered during the year	-	374
Balance at 30 June	**(702)**	**(66)**

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

Recognition and measurement

Receivables, including trade receivables, prepayments etc. are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value plus any directly attributable transactions costs. Susequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

9. Financial assets at fair value

	2018 $'000	2017 $'000
Financial assets held for trading		
Foreign exchange derivatives - cash flow hedges	442	20
Current financial assets at fair value	**442**	**20**
Foreign exchange derivatives - cash flow hedges	73	21
Non-current financial assets at fair value	**73**	**21**

Recognition and measurement

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

(i) Foreign exchange derivatives – cash flow hedges

Specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

At the inception of a hedge relationship, Transport for NSW formally designates and documents the hedge relationship, to which Transport for NSW wishes to apply hedge accounting. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment;
- Hedges of a net investment in a foreign operation.

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

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

Recognition and measurement (cont'd)

(i) Foreign exchange derivatives – cash flow hedges (cont'd)

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

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting or hedge accounting is discontinued, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs. However, if the forecast transaction is no longer expected to occur, the cumulated gain or loss in equity is transferred to profit or loss.

(ii) Energy derivative – cash flow hedge

Transport for NSW has entered into an energy derivative for economic hedging purposes under the approved risk management policies, which is not designated in a hedge relationship hedge *under AASB139 Financial instruments*: *Recognition and Measurement*. The derivative is categorised as held for trading and classified in the Statement of financial position as cash flow hedge. Changes in the fair value of derivative instruments that are not designated in a hedge relationship are recognised immediately in profit or loss as part of gain/(loss) in fair value of financial instruments.

(iii) Impairment of financial assets

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

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

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

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

10. Other financial assets

	2018 $'000	2017 $'000
Term deposits	30,000	85,000
Current other financial assets	**30,000**	**85,000**
Interest free advances to taxi operators[1]	1,006	929
Non-current other financial assets	**1,006**	**929**

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

Refer to Note 26 for further information regarding credit risk, liquidity risk, and market risk arising from financial instruments and Note 9 for information on the impairment of financial assets.

Recognition and measurement

Investments in other financial assets are initially recognised at fair value plus, in the case of investments not at fair value through profit and loss, transaction costs. Transport for NSW determines the classification of its financial assets on initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(i) Fair value through profit and loss

Transport for NSW subsequently measures investments classified as “held for trading” or designated upon initial recognition “at fair value through profit and loss” at fair value. Financial assets are classified as “held for trading” if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the period.

(ii) Held-to-maturity investments

Non derivative financial investments with fixed or determinable payments and fixed maturity that Transport for NSW has the positive intention and ability to hold to maturity are classified as “held to maturity”. These investments are measured at amortised cost using the effective interest rate method. Changes are recognised in the net result for the period when impaired, derecognised or through the amortisation process.

(iii) Available-for-sale investments

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

11. Property, plant and equipment

Property plant and equipment Reconciliation

	Land and Building			Infrastructure systems				Plant and equipment							
	Land and buildings	**Assets under construction**	**Total**	**Rail systems[1]**	**Maritime systems**	**Assets under construction**	**Total**	**Plant and equipment**	**Finance leased buses[2]**	**Rolling stock**	**Buses**	**Ferries**	**Assets under construction**	**Total**	**Total Property, plant and equipment**
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
At 30 June 2018															
At cost - Gross carrying amount	-	56,597	56,597	-	-	5,730,322	5,730,322	-	-	-	-	-	54,175	54,175	5,841,094
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At fair value - Gross carrying amount	360,166	-	360,166	27,478,273	526	(16,879)	27,461,920	638,782	1,843,152	40,200	102,850	9,968	(10,882)	2,624,070	30,446,156
Accumulated depreciation and impairment	(151,230)	-	(151,230)	(20,806,048)	(126)	-	(20,806,174)	(171,026)	(951,193)	(10,740)	(55,024)	(8,848)	-	(1,196,831)	(22,154,235)
Net carrying amount	**208,936**	**56,597**	**265,533**	**6,672,225**	**400**	**5,713,443**	**12,386,068**	**467,756**	**891,959**	**29,460**	**47,826**	**1,120**	**43,293**	**1,481,414**	**14,133,015**
At 30 June 2017															
At cost - Gross carrying amount	-	52,762	52,762	-	-	3,497,785	3,497,785	-	-	-	-	-	44,429	44,429	3,594,976
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At fair value - Gross carrying amount	285,773	-	285,773	14,086,482	-	-	14,086,482	563,083	1,736,589	40,200	-	-	-	2,339,872	16,712,127
Accumulated depreciation and impairment	(22,818)	-	(22,818)	(7,249,214)	-	-	(7,249,214)	(112,666)	(854,124)	(9,316)	-	-	-	(976,106)	(8,248,138)
Net carrying amount	**262,955**	**52,762**	**315,717**	**6,837,268**	**-**	**3,497,785**	**10,335,053**	**450,417**	**882,465**	**30,884**	**-**	**-**	**44,429**	**1,408,195**	**12,058,965**

[1] Within Rail Systems adjustments have been made to the gross carrying value ($13.3 billion) and accumulated depreciation ($13.3 billion) without any change to the net carrying amount as reported at June 2017

[2]As disclosed in Note 11(x), from 31 March 2017 Transport for NSW changed its accounting policy for the measurement of leased buses from historical cost to fair value. For further details refer to Note 14(e).

In 2015 Transport for NSW entered into a Public Private Partnership (PPP) with Northwest Rapid Transit for the construction of the Sydney Metro Northwest (SMN), formerly the North West Rail Link (NWRL). The SMN project includes improvement to the Epping to Chatswood Rail Link (ECRL), extending from Chatswood to the North Western suburbs of Sydney. The ECRL improvement assets are brought to account as the costs incurred under the PPP in line with NSW Treasury Policy TPP06-8. The ECRL is a component of SMN assets. The PPP will operate until 2034.

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

Reconciliation

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

Property plant and equipment Reconciliation - Current year

Reconciliation		Land and buildings			Infrastructure systems				Plant and equipment							
	Notes	Land and buildings $ '000	Assets under construction $ '000	Total $ '000	Rail systems $ '000	Maritime systems $ '000	Assets under construction $ '000	Total $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Buses $ '000	Ferries $ '000	Assets under construction $ '000	Total $ '000	Total property, plant and equipment $ '000
Opening balance		**262,955**	**52,762**	**315,717**	**6,837,268**	**-**	**3,497,785**	**10,335,053**	**450,417**	**882,465**	**30,884**	**-**	**-**	**44,429**	**1,408,195**	**12,058,965**
Assets recognised for the first time	3(h)	1,705	-	1,705	-	-	-	-	-	-	-	-	-	-	-	1,705
Additions		1,377	3,880	5,257	-	-	2,415,304	2,415,304	-	152,231	-	-	-	46,426	198,657	2,619,218
Disposals	4	(11,995)	-	(11,995)	(4,193)	-	(6,640)	(10,833)	(46)	(4,061)	-	-	-	-	(4,107)	(26,935)
Reclassification between PPE classes		5,725	(45)	5,680	112,817	-	(118,685)	(5,868)	2,479	(21,904)	-	49,306	-	(29,693)	188	-
Asset transfer (to)/from equity	23	12,828	-	12,828	-	407	-	407	357	-	-	4,053	1,396	-	5,806	19,041
Reclassifications (to)/from intangible assets	12	-	-	-	-	-	(5,050)	(5,050)	75,555	-	-	-	-	(17,869)	57,686	52,636
Reclassifications (to)/from other assets		-	-	-	-	-	10,526	10,526	-	-	-	-	-	-	-	10,526
Transfer of asset under construction to local councils		-	-	-	-	-	(2,230)	(2,230)	-	-	-	-	-	-	-	(2,230)
Revaluation increment/decrement through P/L	5	(54,952)	-	(54,952)	-	-	-	-	-	-	-	-	-	-	-	(54,952)
Depreciation/amortisation	2(e)	(8,707)	-	(8,707)	(273,667)	(7)	-	(273,674)	(61,006)	(116,772)	(1,424)	(5,533)	(276)	-	(185,011)	(467,392)
Transfers to other Transport agencies		-	-	-	-	-	(77,567)	(77,567)	-	-	-	-	-	-	-	(77,567)
Net carrying amount at 30 June		**208,936**	**56,597**	**265,533**	**6,672,225**	**400**	**5,713,443**	**12,386,068**	**467,756**	**891,959**	**29,460**	**47,826**	**1,120**	**43,293**	**1,481,414**	**14,133,015**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 14.

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

Reconciliation

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

Reconciliation		Land and buildings			Infrastructure systems			Plant and equipment					
	Notes	Land and buildings $ '000	Assets under construction $ '000	Total $ '000	Rail systems $ '000	Assets under construction $ '000	Total $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Assets under construction $ '000	Total $ '000	Total property, plant and equipment $ '000
Opening balance		**263,380**	**19,092**	**282,472**	**1,929,845**	**1,275,548**	**3,205,393**	**386,894**	**1,031,372**	**27,161**	**27,146**	**1,472,573**	**4,960,438**
Restatement of infrastructure assets	25	-	-	-	4,258,671	-	4,258,671	-	-	-	-	-	4,258,671
Restated net carrying amount at start of year		**263,380**	**19,092**	**282,472**	**6,188,516**	**1,275,548**	**7,464,064**	**386,894**	**1,031,372**	**27,161**	**27,146**	**1,472,573**	**9,219,109**
Additions		2,774	21,026	23,800	-	2,465,934	2,465,934	-	127,118	-	53,599	180,717	2,670,451
Transfers to other Transport agencies		-	-	-	-	(88,132)	(88,132)	-	-	-	-	-	(88,132)
Disposals	4	(436)	-	(436)	-	(4,839)	(4,839)	-	-	-	-	-	(5,275)
Reclassification between PPE classes		3,976	(3,976)	-	99,998	(136,623)	(36,625)	71,587	-	-	(34,962)	36,625	-
Asset transfer (to)/from equity	23	(120)	7,000	6,880	-	(1,087)	(1,087)	-	-	-	-	-	5,793
Reclassifications (to)/from intangible assets	12	1,024	-	1,024	-	(5,962)	(5,962)	48,611	-	-	(1,354)	47,257	42,319
Assets transferred to/from non-current assets held for sale		-	9,620	9,620	-	-	-	-	-	-	-	-	9,620
Transfer of asset under construction to local councils		-	-	-	-	(7,054)	(7,054)	-	-	-	-	-	(7,054)
Revaluation increment/decrement through P/L	5	-	-	-	-	-	-	-	(168,031)	-	-	(168,031)	(168,031)
Depreciation expense	2(e)	(7,643)	-	(7,643)	(130,149)	-	(130,149)	(56,675)	(107,994)	(1,092)	-	(165,761)	(303,553)
Net revaluation increments less revaluation decrements		-	-	-	678,903	-	678,903	-	-	4,815	-	4,815	683,718
Net carrying amount at 30 June 2017		**262,955**	**52,762**	**315,717**	**6,837,268**	**3,497,785**	**10,335,053**	**450,417**	**882,465**	**30,884**	**44,429**	**1,408,195**	**12,058,965**

.

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

Recognition and measurement

Property, plant and equipment comprise land and buildings, plant and equipment (general plant and equipment and finance lease assets) and infrastructure systems.

(i) Capitalisation and initial recognition

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Transport for NSW in accordance with AASB 116 *Property, Plant and Equipment*. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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

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

The cost of assets constructed for own use includes the purchase cost, other directly attributable costs and the initial estimates of dismantling and restoration costs.

(ii) Capitalisation thresholds

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

(iii) Valuation of property, plant and equipment

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

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

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

Recognition and measurement (cont'd)

(iv) Revaluation of property, plant and equipment

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer to Note 11 and Note 14 for further information regarding fair value.

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

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

Transport for NSW revalues land and buildings at least once every three years and each other class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Transport for NSW revalues infrastructure systems asset class on a rolling basis. Revaluations are performed by independent professionally qualified valuers.

The last comprehensive revaluation of property, plant and equipment was summarised as follows:

Asset Type	Last comprehensive revaluation date
Land and buildings	31 March 2018
Light rail infrastructure	30 June 2014
Country regional network infrastructure	31 March 2017
Finance leased buses	31 March 2017

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. This is because any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

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

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

Recognition and measurement (cont'd)

(iv) Revaluation of property, plant and equipment (cont'd)

Revaluation increments are credited directly to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as a gain in the net result. Revaluation decrements are recognised immediately as a loss in the net result, except that, to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of assets, they are debited directly to the asset revaluation surplus.

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

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

(v) Impairment of property, plant and equipment

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

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

(vi) Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to Transport for NSW except for leased buses, which are depreciated on a diminishing value basis.

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

Asset Class	Useful Lives
Buildings	25 - 80 years
Infrastructure systems	20 - 197 years
Plant and equipment	3 - 25 years
Finance leased buses	15 - 25 years
Rolling stock	25 years
Buses	20 – 25 years
Ferries	35 - 40 years

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

Recognition and measurement (cont'd)

(vi) Depreciation of property, plant and equipment (cont'd)

The asset residual values, useful life and depreciation methods are reviewed, and adjusted, if appropriate, at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in assets are considered to modify the depreciation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted prospectively.

(vii) Major inspection costs

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

(viii) Restoration costs

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

(ix) Maintenance

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

(x) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Under the Sydney Metropolitan Bus Services Contracts, Outer Sydney Metropolitan Bus Services Contracts and Rural and Regional Bus Service Contracts, payments to bus operators for the acquisition of new buses and certain existing buses are considered to be in the nature of finance leases and are recognised in accordance with AASB 117 Leases. Leased buses were carried at historical cost up until 31 March 2017.

From 31 March 2017, Transport for NSW changed its accounting policy for the measurement of leased buses from historical cost to fair value. The fair value accounting policy was adopted under AASB 136 (para. Aus32.1-32.2) in respect of not-for-profit entities where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits. Therefore the asset's recoverable amount is determined based on the current replacement cost of the asset being the best representation of its fair value. Accordingly, leased buses are now carried at fair value from 31 March 2017 onwards. As required by AASB 108 (para. 17) the change in accounting policy was accounted for as a revaluation in accordance with AASB 116 and processed prospectively. The revaluation was accounted for based on an independent valuation of the entire leased bus fleet as at 31 March 2017.

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

Recognition and measurement (cont'd)

(x) Leased assets (cont'd)

To align with the change in accounting policy from historical cost to fair value, the depreciation method was also changed from straight-line to diminishing value which better reflects the pattern of consumption and going forward will result in a closer representation of fair value in between valuation years. This is also therefore consistent with the requirements of paragraph 31 of AASB 116 to ensure that the carrying value does not differ materially from what would be determined to be the fair value at the reporting date. As part of the review of the depreciation method, the remaining useful lives and residual values of the leased buses were also reassessed at the revaluation date. The change in depreciation method and the reassessment of useful lives and residual values are changes in estimates and therefore were processed prospectively from 31 March 2017.

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

(xi) Derecognition

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

12. Intangible assets

	Computer systems	Work in progress	Total	Right of use	Total intangibles
Cost (gross carrying amount)	441,376	586,700	1,028,076	48,655	1,076,731
Accumulated amortisation and impairment	(130,661)		(130,661)	(4,707)	(135,368)
Net carrying amount at 30 June 2018	**310,715**	**586,700**	**897,415**	**43,948**	**941,363**
Cost (gross carrying amount)	431,963	528,332	960,295	17,502	977,797
Accumulated amortisation and impairment	(117,010)		(117,010)	(1,984)	(118,994)
Net carrying amount at 30 June 2017	**314,953**	**528,332**	**843,285**	**15,518**	**858,803**

	Notes	Computer systems	Work in progress	Total	Right of use	Total intangibles
Net carrying amount at start of year		314,953	528,332	843,285	15,518	858,803
Assets recognised for the first time	3(h)	-	-	-	49,700	49,700
Additions		-	216,220	216,220	-	216,220
Disposals		(23,710)	(163)	(23,873)	(49,700)	(73,573)
Relcassification between intangible assets		81,426	(81,426)	-	-	-
Reclassifications (to)/from PPE		23,627	(76,263)	(52,636)	-	(52,636)
Reclassifications (to)/from other assets		-	-	-	31,153	31,153
Amortisation		(85,581)	-	(85,581)	(2,723)	(88,304)
Net carrying amount at 30 June 2018		**310,715**	**586,700**	**897,415**	**43,948**	**941,363**
				-		-
Net carrying amount at start of year		210,493	483,817	694,310	-	694,310
Additions		2	269,641	269,643	-	269,643
Relcassification between intangible assets		151,763	(168,208)	(16,445)	16,445	-
Reclassifications (to)/from PPE		14,599	(56,918)	(42,319)	-	(42,319)
Amortisation		(61,904)	-	(61,904)	(927)	(62,831)
Net carrying amount at 30 June 2017		**314,953**	**528,332**	**843,285**	**15,518**	**858,803**

12. Intangible assets (cont'd)

Recognition and measurement

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met in accordance with AASB 138 *Intangible Assets*.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for Transport for NSW's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Transport for NSW's intangible assets of:
- Information technology systems which are amortised using the straight line methods ranging from 5 to 18 years.
- Right of use assets include right of use of land and airspace acquired from third party land owners. The right of use of land acquired for the construction of the CBD Light Rail was amortised using straight line method for the remaining period of the construction and operation phases of the project (16 to 19 years).

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

13. Other assets

	2018 $'000	2017 $'000
Prepaid asset - light rail	639,860	572,526
Prepaid asset - Sydney Metro Northwest	2,137,461	1,088,983
Other assets	**2,777,321**	**1,661,509**

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

14. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

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

A number of Transport for NSW's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, Transport for NSW categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:
Level 1 – quoted prices in active markets for identical assets / liabilities that Transport for NSW can access at the measurement date.
Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
Level 3 – inputs that are not based on observable market data (unobservable inputs).

Transport for NSW recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(a) Fair value hierarchy

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2018.

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment				
Land and buildings	-	-	207,199	207,199
Land and buildings	**-**	**-**	**207,199**	**207,199**
Plant and equipment	-	-	116	116
Finance leased buses	-	-	891,958	891,958
Rolling stock	-	-	29,460	29,460
Buses	-	-	47,826	47,826
Ferries	-	-	1,120	1,120
Plant and equipment	**-**	**-**	**970,480**	**970,480**
Rail systems	-	-	6,672,225	6,672,225
Maritime systems	-	-	400	400
Infrastructure systems	**-**	**-**	**6,672,625**	**6,672,625**
	-	**-**	**7,850,304**	**7,850,304**

The above property, plant and equipment exclude assets measured at current replacement cost as a surrogate for fair value.

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

(a) Fair value hierarchy (cont'd)

Fair value measurements recognised in the balance sheet were categorised into the following levels at 30 June 2017.

2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment				
Land and buildings	-	-	258,535	258,535
Land and buildings	**-**	**-**	**258,535**	**258,535**
Plant and equipment	-	-	147	147
Finance leased buses	-	-	882,465	882,465
Rolling stock	-	-	30,884	30,884
Plant and equipment	**-**	**-**	**913,496**	**913,496**
Rail systems	-	-	6,837,268	6,837,268
Infrastructure systems	**-**	**-**	**6,837,268**	**6,837,268**
	-	**-**	**8,009,299**	**8,009,299**

(b) Valuation process

Transport for NSW obtains independent valuations for its land and buildings assets at least every 3 years and for its other non-financial assets at least every 5 years.

Transport for NSW engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of Country Regional Network land and buildings were conducted by Preston Rowe Paterson NSW Pty Ltd for 31 March 2018. A comprehensive valuation of the country regional network infrastructure assets was conducted by E3 Advisory for 31 March 2017. A comprehensive valuation of the finance leased buses was conducted by RHAS for 31 March 2017. A comprehensive valuation of the Inner West Light Rail assets was performed in 2014. Pitcher Partners was engaged to conduct an interim valuation of the Inner West Light Rail assets as at 31 March 2017 using indexation. The majority of plant and equipment are measured using depreciated historical cost as an approximation of fair value and do not require fair value hierarchy disclosure.

(c) Valuation techniques and input

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

- current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences;
- current replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits;
- construction costs incurred by the entity;

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

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

- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions;
- discounted cash flow projections based on estimates of future cash flows.

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

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

The main inputs used for level 3 fair value measurements are as follows:

- **Land and building** – acquisition cost, sale prices for comparable properties, land size are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each property, adjusted for the specific attributes of the property being revalued, such as location, land use and landing values applying in the locality. Construction costs incurred and expected useful life of the assets are determined and reviewed by management in accordance with applicable Australian Accounting Standards.
- **Plant and equipment** – replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by management, based on inputs principally obtained from the manufacturer of the assets.
- **Country rail infrastructure assets** – replacement cost for modern equivalent assets, unit of measure for each asset, appropriate indexation factors, expected useful life and remaining life of the assets are estimated by the external valuer and/or management based on recently completed transactions, projects, and current market rates where available, with allowances for demolition of the existing property, contractor's off-site overheads and margin, and the location factor.
- **Light rail infrastructure and rolling stock** – replacement costs for the Pyrmont Light Rail network assets, construction costs for the Inner West Light Rail extension network assets, length of the tracks, overhead power and stabling yards, number of stops/stations, economic working lives of the assets, expired and remaining economic life, depreciation methods, residual values, indexed historical costs and gross replacements costs were estimated by the external valuer and/or management taking into consideration the physical age of the assets, their physical condition, repair and maintenance records, allowance for obsolescence, residual value at the end of the asset's economic life, and construction project budget/forecast.
- **Non-current Asset held for sale** – rate per square meter of gross floor area, land size, estimated sale costs, valuation decline factor, market trading value per gaming machine entitlements and permits, and development costs incurred are determined by the external valuer and/or management, based on the most comparable sales evidence applicable for each parcel of land adjusted for specific factor attributable to the asset and market condition.
- **Leasehold improvement make good** – restoration costs on the leased property estimated on the rate per square metre basis were discounted, adjusted for inflation and depreciated over the remaining lease period.
- **Finance leased buses** – Optimised Replacement Cost (ORC) is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of input and in operating costs. The ORC estimates are based on the most recent cost prices for the buses and current Transport for NSW Bus Procurement Panel pricing for Rural and Regional Urban and School bus types, as quoted by numerous chassis and bus providers.
- **Buses -** Optimised Replacement Cost (ORC) is the minimum that it would cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of input and in operating costs.

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

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

- **Ferries –** Discounted replacement cost was estimated based on pricing provided by a leading Australian boat builder, and assuming a steel hull, aluminium superstructure.

There were no transfers between level 1, 2 and 3 for recurring and non-recurring fair value measurements during the year.

(d) Valuation input and relationships to fair value

There were no significant inter-relations between unobservable inputs that would materially affect the overall valuation.

(e) Reconciliation of level 3 fair value measurement

	Land and buildings $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Buses $ '000	Ferries $ '000	Infrastructure systems $ '000	TOTAL $ '000
Fair value at start of year	258,535	147	882,465	30,884	-	-	6,837,269	8,009,300
Additions	1,377	-	152,230	-	-	-	-	153,607
Revaluation increments/decrements recognised in net result	(54,952)	-	-	-	-	-	-	(54,952)
Recognition of assets	1,705	-	-	-	-	-	-	1,705
Disposals	(11,951)	-	(4,061)	-	-	-	(4,193)	(20,205)
Depreciation	(6,074)	(31)	(116,772)	(1,424)	(5,532)	(276)	(273,674)	(403,783)
Equity transfer	12,834	-	-	-	4,052	1,396	407	18,689
Transfer from other classes of property, plant and equipment	5,725	-	(21,904)	-	21,904	-	-	5,725
Transfer from assets under construction	-	-	-	-	27,402	-	112,816	140,218
Fair value as at 30 June 2018	**207,199**	**116**	**891,958**	**29,460**	**47,826**	**1,120**	**6,672,625**	**7,850,304**

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

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

	Land and buildings $ '000	Plant and equipment $ '000	Finance leased buses $ '000	Rolling stock $ '000	Infrastructure systems $ '000	TOTAL $ '000
Fair value at start of year	259,502	209	-	27,161	1,929,845	2,216,717
Infrastructure systems restatement	-	-	-	-	4,258,671	4,258,671
Restated Fair value at start of year	259,502	209	-	27,161	6,188,516	6,475,388
Reclass from cost to fair value	-	-	1,038,602	-	-	1,038,602
Additions	2,774	-	39,474	-	-	42,248
Revaluation increments/decrements recognised in net result	-	-	(168,031)	-	-	(168,031)
Revaluation increments/decrements recognised in other comprehensive income	-	-	-	4,815	678,903	683,718
Disposals	(436)	-	-	-	-	(436)
Depreciation	(4,690)	(62)	(27,580)	(1,092)	(130,149)	(163,573)
Decrease of net assets from equity transfer	(120)	-	-	-	-	(120)
Transfer from assets under construction	1,505	-	-	-	99,998	101,503
Fair value as at 30 June 2017	**258,535**	**147**	**882,465**	**30,884**	**6,837,268**	**8,009,299**

15. Payables

	2018 $'000	2017 $'000
Trade creditors	101,459	333,076
Accrued expenses	1,095,001	1,122,911
Other creditors	1,139	4
Personnel service payables	77,896	89,546
Current payables	**1,275,495**	**1,545,537**

Recognition and measurement

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 26.

16. Borrowings

	2018 $'000	2017 $'000
TCorp borrowings	65,186	45,912
Finance leases	496,580	153,962
Current borrowings	**561,766**	**199,874**
TCorp borrowings	299,955	321,665
Finance leases	716,687	1,066,379
Non-current borrowings	**1,016,642**	**1,388,044**

Repayment of borrowings

	2018 $'000	2017 $'000
Not later than one year	561,766	199,874
Later than one year and not later than five years	652,570	817,432
Later than five years	364,072	570,612
Repayment of borrowings	**1,578,408**	**1,587,918**

Recognition and measurement

Borrowings are not held for trading or designated at fair value through profit or loss. Borrowings are initially measured at the fair value of the consideration received and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on de-recognition.

The finance lease liability is determined in accordance with AASB 117 *Leases*.

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

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

Financial guarantees

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

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

Transport for NSW has reviewed its financial guarantee and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2018 and as at 30 June 2017. However, refer to Note 24 regarding disclosures on contingent liabilities.

17. Provisions

	2018 $'000	2017 $'000
Land and buildings remediation	12,090	-
Lease make good costs	4,205	4,035
Current provisions	**16,295**	**4,035**
Land and buildings remediation	6,945	-
Lease make good costs	9,593	7,871
Non-current provisions	**16,538**	**7,871**

Recognition and measurement

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

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

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

The land and buildings remediation provision is recognised when TfNSW has a legal or constructive obligation to remediate contaminated property. The make good provision is recognised when TfNSW has an obligation to restore property to its original condition, for example at the end of a lease. The value recognised for each provision represents the most reliable basis for estimating the outflow of resources required to settle the obligations

Movement in provisions

	Land and buildings remediation $'000	Lease make good costs $'000	Total $'000
Carrying amount at the beginning of the financial year	-	11,906	11,906
Additional provision recognised	19,035	2,827	21,862
Amounts used	-	(107)	(107)
Unused amounts reversed	-	(972)	(972)
Unwinding / change in discount rate	-	144	144
Carrying amount at the end of the financial year	**19,035**	**13,798**	**32,833**

18. Other liabilities

	2018 $'000	2017 $'000
Liability to Consolidated Fund	-	46,767
Opal card holding accounts	173,809	145,612
Income received in advance	-	3,420
Current other liabilities	**173,809**	**195,799**
Security deposit	45	45
Epping to Chatswood Rail Link improvements liability	74,694	61,036
Contribution from Sydney City Council for light rail	115,300	115,300
Non-current other liabilities	**190,039**	**176,381**

19. Financial liabilities at fair value

	2018 $'000	2017 $'000
Foreign exchange derivatives - cash flow hedges	215	1,333
Current financial liabilities at fair value	**215**	**1,333**
Foreign exchange derivatives - cash flow hedges	-	204
Energy derivative - cash flow hedges	1,505	-
Non current financial liabilities at fair value	**1,505**	**204**

Please refer to the recognition and measurement in Note 9.

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

	2018 $'000	2017 $'000
Net cash inflows/(outflows) from operating activities	3,854,686	3,883,326
Depreciation and amortisation	(555,696)	(366,384)
Non-cash revenue and expenses	(28,392)	(89,196)
Revaluation increment/(decrement) of assets	(54,952)	(168,031)
Net gain/(loss) on sale of assets held for sale	-	463
(Decrease)/increase in receivables, inventories and other assets	(7,331)	235,968
(Increase)/decrease in payables and provisions	271,351	(380,604)
Net gain/(loss) on sale of property, plant and equipment	(50,661)	(3,207)
Reconciliation to net result	**3,429,005**	**3,112,335**

21. Non-cash financing and investing activities

	Notes	2018 $'000	2017 $'000
Financial lease liabilities in respect of the acquisition of plant and equipment		(152,230)	(127,118)
Non-cash financing activities		**(152,230)**	**(127,118)**
Plant and equipment acquired by finance lease	11	152,230	127,118
Assets recognised for the first time		51,405	-
Restatement of infrastructure assets		-	4,258,671
Recognition of ECRL improvements liability		13,657	428
Equity transfers	23	48,712	5,793
Non-cash investing activities		**266,004**	**4,392,010**
Non-cash financing and investing activities		**113,774**	**4,264,892**

22. Commitments for expenditure

	Notes	2018 $'000	2017 $'000
(a) Capital commitments			
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:			
Not later than one year		1,812,512	1,696,754
Later than one year and not later than five years		2,846,254	3,203,650
Total (including GST)		**4,658,766**	**4,900,404**
(b) Operating lease commitments			
Future non-cancellable operating lease rentals not provided for and payable:			
Not later than one year		68,342	79,121
Later than one year and not later than five years		190,859	191,632
Later than five years		32,038	66,542
Total (including GST)		**291,239**	**337,295**
(c) Finance lease commitments			
Minimum lease payment commitments in relation to finance leases payable as follows:			
Not later than one year		668,756	250,633
Later than one year and not later than five years		606,548	831,249
Later than five years		388,258	636,950
Minimum lease payment		**1,663,562**	**1,718,832**
Less: future finance charges		(450,295)	(498,491)
Present value of minimum lease payments		**1,213,267**	**1,220,341**
The present value of finance lease commitments is as follows:			
Finance leased buses			
Not later than one year		496,580	153,962
Later than one year and not later than five years		390,193	542,259
Later than five years		326,494	524,120
Present value of finance lease commitments		**1,213,267**	**1,220,341**
Finance lease commitments classified as:			
Current borrowings	16	496,580	153,962
Non-current borrowings	16	716,687	1,066,379
		1,213,267	**1,220,341**

Operating leases for TfNSW are related to leases of properties, motor vehicles and rural and regional buses from independent bus operators. Finance leases are related to leases of buses from State Transit Authority and other independent bus operators.

Net GST on all commitments estimated at $451.2 million (2017: $476.1 million) will be recouped from the Australian Taxation Office.

23. Equity and reserves

(a) Asset revaluation reserve

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with Transport for NSW's policy on the revaluation of property, plant and equipment as discussed in Note11(iv).

(b) Hedge reserve

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

(c) Accumulated funds

Accumulated funds includes all current and prior period retained funds.

(d) Equity transfers

	2018 $'000	2017 $'000
Land transferred (to)/from Department of Planning and Environment[1]	(237,275)	7,000
Land transferred to the Department of Industry[2]	(1,565)	-
Net equity transfer for property, plant and equipment[3]	50,277	-
Assets under construction transferred from RailCorp[4]	237,275	-
Assets under construction and land transferred to Property NSW	-	(1,207)
Equity transfers	**48,712**	**5,793**

[1] The Minister for Transport and Infrastructure vested surplus lands related to the South West Rail Link project ($237.3 million) from Transport for NSW to the Department of Planning & Environment and it has been accounted for as an adjustment to equity effective 9 January 2018.

[2]The Minister for Transport and Infrastructure vested surplus lands related to the rail corridor between Rosewood and Tumbarumba ($1.6 million) from Transport for NSW to the NSW Department of Industry and it has been accounted for as an adjustment to equity effective 12 April 2018

[3] In relation to the privatisation of Newcastle transport services, the Secretary directed State Transit Authority to transfer assets to Transport for NSW under *the Transport Administration Act 1988* and it has been accounted for as an adjustment to equity effective 1 July 2017, in accordance with TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities'. The assets transferred included buses, ferries, land, buildings, plant and equipment and maritime infrastructure.

[4]The Secretary directed RailCorp to transfer some assets under construction ($237.3 million) to Transport for NSW under the *Transport Administration Act 1988* and it has been accounted for as an adjustment to equity effective 31 October 2017, in accordance with TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities.

23. Equity and reserves (cont'd)

Recognition and measurement

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

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

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

24. Contingent liabilities and contingent assets

There are a number of significant disputes which have been notified to and by Transport for NSW in relation to the Sydney Light Rail project. There is significant uncertainty as to the extent of any future liability that will arise in respect of these disputes. The amount of the liability that may arise in relation to these disputes cannot be measured reliably at this time.

A contractor engaged by the ALTRAC Light Rail Consortium has started proceedings in the Supreme Court of NSW against Transport for NSW alleging misleading or deceptive conduct. Transport for NSW denies that it engaged in any such conduct and is defending the proceedings. It is not possible at this stage to estimate any potential financial effect from these proceedings.

After balance date, a statement of claim was filed in the Supreme Court of NSW alleging public and private nuisance as a result of the Sydney Light Rail project. The proceedings have been brought as representative proceedings. It is not possible at this stage to estimate any potential financial effect from these proceedings.

Apart from the above matters, there are a number of other disputes related to property acquisitions and contractual claims subject to litigation. The amount of the liability, if any, that may arise in relation to the majority of these disputes cannot be measured reliably at this time apart from $0.2 million (2017: $2.9 million) which has been quantified by management.

Transport for NSW provided a letter of comfort to the Office of Transport Safety Investigation (OTSI) to ensure the ongoing financial viability for a period of at least twelve months from the date when the 2017-18 audit report for OTSI is signed. Transport for NSW and NSW Treasury monitor the financial performance of OTSI on an ongoing basis as part of OTSI's reporting obligations to Government.

Apart from the matters mentioned above, Transport for NSW does not have any other contingent liabilities or contingent assets that would significantly impact on the state of affairs of Transport for NSW or have a material effect on these financial statements.

25. Restatement of infrastructure assets

In previous years, Transport for NSW has carried bored and excavated tunnels and earthworks including cuttings and embankments at nil value on the basis that the assets could not be reliably measured. In 2017, Transport for NSW valued these assets using advances in technology, improved asset management systems, equipment and technical asset information. On balance, it now appears it may have been possible to reliably value these assets in a prior year. As a result, Transport for NSW recorded an additional $29.9 million in tunnel boring assets and $4,228.8 million in earthworks to correct the value of infrastructure assets as at 1 July 2016 with an adjustment to equity. The nature of the inputs to the valuation made it impractical to retrospectively restate previously reported balances.

26. Financial instruments

Transport for NSW's principal financial instruments are outlined below. These financial instruments are required to finance Transport for NSW's operations and manage forecast cash flow exposures.

Transport for NSW does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of Transport for NSW expose it to a variety of financial risks: credit risk, liquidity risk and market risk including interest rate risk. The main risks arising from these financial instruments are outlined below together with Transport for NSW's objectives, policies and processes for measuring and managing risk.

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

The Secretary has overall responsibility for the establishment and oversight of risk management and review, and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is subject to review by the internal audit.

27. Financial instruments (cont'd)

(a) Financial instrument categories

	Note	Category	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Financial assets				
Class:				
Cash and cash equivalents	7	N/A	756,784	754,685
Receivables[1]	8	Loans and receivables (at amortised cost)	247,807	236,725
Financial assets at fair value	9	Derivatives designated as economic and cash flow hedges at fair value	515	41
Other financial assets	10	Loans and receivables (at amortised cost)	31,006	85,929
			1,036,112	**1,077,380**
Financial liabilities				
Class:				
Payables[2]	15	Financial liabilities measured at amortised cost	1,275,495	1,545,537
Other Liabilities	18	Financial liabilities measured at amortised cost	363,803	368,715
Borrowings	16	Financial liabilities measured at amortised cost	1,578,408	1,587,918
Financial liabilities at fair value	19	Derivatives designated as economic and cash flow hedges at fair value	1,720	1,537
			3,219,426	**3,503,707**

During the year ended 30 June 2018, there were no defaults on any loans payable (2017: nil).
[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

(b) Derecognition of financial assets and financial liabilities

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

- where substantially all the risks and rewards have been transferred; or
- where Transport for NSW has not transferred substantially all the risks and rewards, if the reporting entity has not retained control.

Where Transport for NSW has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset is recognised to the extent of Transport for NSW's continuing involvement in the asset.

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

(c) Derivatives

Transport for NSW held $0.05 million (2017:$1 million) in derivative financial assets and $1.7 million (2017: $1.5 million) in derivative financial liabilities

Foreign exchange risk management

Transport for NSW only uses derivatives for hedging purposes and not as trading or speculative instruments. Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency.

28. Financial instruments (cont'd)

(c) Derivatives (cont'd)

Foreign exchange risk management (cont'd)

All forward currency contracts have been designated as hedging instruments in cash flow hedges in accordance with AASB 139 Financial Instruments. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

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

				Expected Cash flow			
		Weighted average exchange rate	Contract value	No later than 3 months	Later than 3 months and no later than 12 months	Later than 12 months	Total
			$'000	$'000	$'000	$'000	$'000
2018	Denominated in Euros	0.6361	25,883	17,393	6,454	2,036	25,883
	Foreign exchange contracts		**25,883**	**17,393**	**6,454**	**2,036**	**25,883**
2017	Denominated in Euros	0.6610	20,515	6,871	9,841	3,803	20,515
	Foreign exchange contracts		**20,515**	**6,871**	**9,841**	**3,803**	**20,515**

Information about the exposure is provided: credit risk in Note 28(d), foreign exchange risk in Note 26(f), the methods and assumptions used in determining fair values of derivatives in Note 26(c).

Energy price risk management

Transport for NSW is exposed to energy price risk associated with the purchase of energy to operate transport services.

It is Transport for NSW's policy to manage the energy price exposure arising from its energy load by entering into fixed price supply arrangements with retailers or to hedge forecast exposures on a portion of its energy load for periods up to 15 years.

The exposure to fluctuations in the wholesale market prices is managed through the use of a derivative financial instrument.

(d) Credit risk

Credit risk arises where a debtor or counterparty does not complete their obligations, resulting in financial loss to Transport for NSW.

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

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

26. Financial instruments (cont'd)

(d) Credit risk (cont'd)

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

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

Cash
Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the current Reserve Bank of Australia official cash rate.

Derivatives
Transport for NSW limits its exposure to credit risk by entering into derivative financial instruments only with approved counterparties that have an acceptable credit rating. Derivative counterparties are limited to high creditworthy organisations in the energy industry. Transport for NSW also utilises International Swaps and Derivative Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

Receivables - trade debtors
All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the reporting entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are generally made on 30 day terms.
Transport for NSW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Debtors of $0.7 million (2017: $0.1 million) is considered impaired of debtors of $9.5 million (2017: $19.9 million) past due as at 30 June 2018.

The only financial assets that are past due are "Sale of goods and services" in the "Receivables" category of the Statement of financial position.

		Past due but not impaired $ '000	Considered impaired $ '000	Total $ '000
2018	< 3 months overdue	8,735	-	8,735
	3 months - 6 months overdue	58	-	58
	> 6 months overdue	761	701	1,462
		9,554	**701**	**10,255**
2017	< 3 months overdue	16,726	6	16,732
	3 months - 6 months overdue	544	6	550
	> 6 months overdue	2,604	54	2,658
		19,874	**66**	**19,940**

The ageing analysis excludes statutory receivables as these are not within scope of *AASB 7*.

26. Financial instruments (cont'd)

(e) Liquidity risk

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

Transport for NSW has access to credit facilities with TCorp of $467.0 million (2017: $467.0 million) of which $365.1 million (2017: $367.6 million) had been used at reporting date.

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

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

26. Financial instruments (cont'd)

(e) Liquidity risk (cont'd)

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

Maturity analysis and interest rate exposure of financial liabilities

			Interest rate exposure			Maturity dates		
	Weighted average effective Int. rate (%)	Nominal amount $ '000	Fixed interest rate $ '000	Variable interest rate $ '000	Non-interest bearing $ '000	< 1 year $ '000	1 - 5 years $ '000	> 5 years $ '000
2018								
Payables								
Trade creditors	-	101,459	-	-	101,459	101,459	-	-
Accrued expenses	-	1,095,001	-	-	1,095,001	1,095,001	-	-
Other creditors	-	1,139	-	-	1,139	1,139	-	-
Personnel services payable	-	77,895	-	-	77,895	77,895	-	-
Other liabilities	-	363,848	-	-	363,848	173,809	190,039	-
Borrowings								
TCorp borrowings	4.79	365,141	365,141	-	-	65,186	253,893	46,062
Finance leases	4.43	1,213,267	1,213,267	-	-	496,580	398,677	318,010
Derivative financial instruments								
Foreign exchange contracts outflow	-	215	-	-	215	215	-	-
Energy derivative contracts outflow	-	1,505	-	-	1,505	-	1,505	-
	-	**3,219,470**	**1,578,408**	**-**	**1,641,062**	**2,011,284**	**844,114**	**364,072**
2017								
Payables								
Trade creditors	-	333,076	-	-	333,076	333,076	-	-
Accrued expenses	-	1,122,911	-	-	1,122,911	1,122,911	-	-
Other creditors	-	4	-	-	4	4	-	-
Personnel services payable	-	89,546	-	-	89,546	89,546	-	-
Other liabilities	-	368,715	-	-	368,715	192,379	176,336	-
Borrowings								
TCorp borrowings	4.98	367,577	367,577	-	-	45,912	275,174	46,491
Finance leases	6.46	1,220,341	1,220,341	-	-	153,962	542,258	524,121
Derivative financial instruments								
Foreign exchange contracts outflows	-	20,515	-	-	20,515	16,712	3,803	-
	-	**3,522,685**	**1,587,918**	**-**	**1,934,767**	**1,954,502**	**997,571**	**570,612**

26. Financial instruments (cont'd)

(f) Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. Transport for NSW's exposure to market risk is primarily through interest rate risk on Transport for NSW's borrowings, foreign exchange risks associated with overseas purchase commitments and other price risks associated with the movement in the unit price of the TCorp Hour-Glass Investment Facility.

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

Transport for NSW does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through Transport for NSW's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily TCorp. Transport for NSW does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Transport for NSW's exposure to interest rate risk is set out in the table below:

		-1%		+1%	
	Carrying amount 2018 $'000	Net result 2018 $'000	Equity 2018 $'000	Net result 2018 $'000	Equity 2018 $'000
Financial assets					
Cash and cash equivalents	756,784	(757)	(757)	757	757

		-1%		+1%	
	Carrying amount 2017 $'000	Net result 2017 $'000	Equity 2017 $'000	Net result 2017 $'000	Equity 2017 $'000
Financial assets					
Cash and cash equivalents	754,685	(755)	(755)	755	755

26. Financial instruments (cont'd)

(f) Market risk (cont'd)

Foreign exchange risk

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

Transport for NSW manages its foreign exchange risk by entering into forward exchange contracts in accordance with the Transport for NSW risk management policies.

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

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

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

			+10%		-10%	
		Contract value $ '000	**Net result $ '000**	**Equity $ '000**	**Net result $ '000**	**Equity $ '000**
2018	Denominated in Euros	25,883	-	2,588	-	(2,588)
	Foreign exchange contracts	**25,883**	**-**	**2,588**	**-**	**(2,588)**
2017	Denominated in Euros	20,515	-	2,052	-	(2,052)
	Foreign exchange contracts	**20,515**	**-**	**2,052**	**-**	**(2,052)**

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26. Financial instruments (cont'd)

(g) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities and derivatives, which are measured at fair value.

The fair values of financial instrument assets and liabilities are determined as follow:

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial instrument assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The amortised cost of all other financial instruments recognised in the Statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments, with the exception of TCorp borrowings.

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

	2018 Carrying amount $'000	2018 Fair value $'000	Fair value level	2017 Carrying amount $'000	2017 Fair value $'000	Fair value level
Financial liabilities at fair value						
Borrowings	365,141	378,169	2	367,577	386,277	2
	365,141	**378,169**		**367,577**	**386,277**	

26. Financial instruments (cont'd)

(h) Fair value recognised in the Statement of financial position

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total
Financial assets at fair value				
Derivative financial instruments	-	515	-	**515**
	-	**515**	**-**	**515**
Financial liabilities at fair value				
Derivative financial instruments	-	1,720	-	**1,720**
	-	**1,720**	**-**	**1,720**

	Level 1 2017 $'000	Level 2 2017 $'000	Level 3 2017 $'000	Total
Financial assets at fair value				
Derivative financial instruments	-	41	-	41
	-	**41**	**-**	**41**
Financial liabilities at fair value				
Derivative financial instruments	-	1,537	-	1,537
	-	**1,537**	**-**	**1,537**

Transport for NSW uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

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

Transport for NSW has assessed the fair value of its foreign exchange derivatives on the basis of inputs other than quoted prices that are observed directly or indirectly (Level 2).

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

The fair value of the energy derivative is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

There were no transfers between Level 1, 2 or 3 during the year.

There were no changes in the valuation techniques during the year.

27. Administrative restructure

Net assets and liabilities transferred to Transport for NSW were as follows:

	Total 2018 $'000	Total 2017 $'000
ASSETS		
Current assets		
Cash and cash equivalents	-	7,867
Receivables	-	30
Total current assets	**-**	**7,897**
Total assets	**-**	**7,897**
LIABILITIES		
Current liabilities		
Payables	-	238
Total current liabilities	**-**	**238**
Total liabilities	**-**	**238**
Net assets	**-**	**7,659**

Following the Proclamation under the *Transport Administration Amendment (Independent Transport Safety Regulator) Bill 2017*, Independent Transport Safety Regulator (ITSR) was abolished on 31 March 2017. ITSR ceased operations and operations were transitioned to ONRSR on 9 March 2017. The residual assets, rights and liabilities of ITSR were transferred to Transport for NSW under an order issued by the Minister for Transport and Infrastructure effective on and from 31 March 2017.

28. Related party disclosures

a) Key management personnel compensation

During the year, the entity incurred $3,174,354 in respect of the key management personnel services that are provided by the Department of Transport and Transport Service of NSW. The amount incurred excludes long service leave and defined benefit superannuation scheme benefits assumed by the Crown Entity in accordance with NSWTC 16-12 Related party disclosures.

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

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

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

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

d) Transactions with government related entities during the financial year

During the 2017-18 financial year, Transport for NSW has entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Recurrent and capital draw-downs from NSW Treasury
- Grants and contributions from the Crown Entity to fund redundancy grants in the Transport cluster, RMS capital works and Sydney Metro City and Southwest project funded by Restart NSW, Northern Beaches B-line project, Parramatta Light Rail project and other projects
- Grants and contributions from the Department of Family & Community Services for the Community Transport Group funding scheme
- Monthly reimbursements from RailCorp for the design and construction of major rail projects by Transport for NSW
- Recoupment of project and other costs incurred by Transport for NSW on behalf of Roads and Maritime Services and Sydney Trains
- Grants paid to various Transport cluster agencies including Sydney Trains, NSW Trains, RailCorp and Roads and Maritime Services
- Road safety grants paid to NSW Police to support drug and alcohol screening
- Lease of buses from State Transit Authority
- Hire of bus and rail services for major events from Sydney Trains and State Transit Authority
- Short term deposits held by NSW Treasury Corporation and associated interest income
- NSW T-Corp borrowings and associated interest expense
- Payments for personnel services provided by Transport Service and personnel services revenue for seconded staff to other NSW government agencies
- Annual fees due to the Office of the National Safety Regulator
- Rental expenses paid to Property New South Wales
- Capital contribution from Urban Growth Development Corporation for the Sydney Metro City & South West project
- Equity transfers from RailCorp and State Transit Authority to Transport for NSW under the *Transport Administration Act 1988*
- Equity transfer to the Department of Planning & Environment related to the South West Rail Link project
- Interest revenue earned from the Treasury Banking System
- Grants and subsidies to local councils for the Community Transport Group funding scheme

29. Administered assets and liabilities

	2018 $'000	2017 $'000
Cash	1,912	122
Administered assets	**1,912**	**122**
Other	1,912	122
Administered liabilities	**1,912**	**122**

Administered activities

Transport for NSW administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have discretion, for example, to deploy the resources for the achievement of Transport for NSW's own objectives.

Transactions and balances relating to the administered activities are not recognised as Transport for NSW's income, expenses, assets and liabilities, but disclosed in the accompanying schedules as "Administered income", "Administered expenses", "Administered assets" and "Administered liabilities".

The accrual basis of accounting and applicable accounting standards has been adopted.

30. After balance date events

On 1 July 2018, Sydney Metro was constituted as a corporation under the *Transport Administration Amendment (Sydney Metro) Act 2018*. As a result of this, the Minister for Transport and Infrastructure approved the transfer of certain assets and liabilities (net $6,262.4 million), including prepaid assets and assets under construction, from Transport for NSW to Sydney Metro, effective 1 July 2018.

Metropolitan bus operations for the Southern region (region 6) previously carried out by State Transit Authority (STA) under contract with Transport for NSW are carried out by Transit System West Services Pty Limited (Transit Systems West) from 1 July 2018. The Minister for Transport and Infrastructure approved the transfer of bus, land, buildings and other assets and liabilities (net $725.8 million) from STA to Transport for NSW relating to region 6 as well as the STA operated regions 7, 8, and 9, effective 1 July 2018. Assets related to region 6 are then leased from Transport for NSW to Transit Systems West, and assets related to regions 7, 8, and 9 are then leased from Transport for NSW to STA.

On 3 July 2018 Transport for NSW entered into an agreement that provides a guarantee of up to $500.0 million against a borrowing facility provided by some of the private sector debt providers to ALTRAC Light Rail Consortium (ALTRAC), which is currently constructing the Sydney Light Rail. ALTRAC's borrowing facility has three tranches totalling $500.0 million. The first tranche of $100.0 million was advanced by those lenders to ALTRAC on 3 July 2018. The second tranche of $100.0 million has been made available to be drawn down by ALTRAC from 20 September 2018 once certain conditions have been met. The remaining tranche cannot be advanced to ALTRAC by its lenders unless certain conditions are met, including the agreement of Transport for NSW. As this guarantee is a contingent liability, there is no impact to the financial position of Transport for NSW as a result of providing this guarantee. The extent to which the guarantee may be called upon will depend on a number of factors, including the ultimate resolution of various commercial disputes between Transport for NSW and ALTRAC.

End of audited financial statements.

INDEPENDENT AUDITOR'S REPORT

Transport for NSW

To Members of the New South Wales Parliament

Opinion

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

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of Transport for NSW in accordance with the requirements of the:

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

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

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

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

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

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Other Information

Other information comprises the information included in Transport for NSW's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Secretary of Transport for NSW is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

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

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

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

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing Transport for NSW's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where Transport for NSW 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 Transport for NSW carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Margaret Crawford
Auditor-General of New South Wales

15 October 2018
SYDNEY

Transport Service of New South Wales

Annual Financial Statements

for the year ended 30 June 2018

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Transport Service of New South Wales
Statement by the Secretary
for the year ended 30 June 2018

Pursuant to sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I state that:

(a) The accompanying financial statements have been prepared in accordance with:
- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015*; and
- Financial Reporting Directions issued by the NSW Treasurer under section 9(2)(n) of the Act.

(b) The statements exhibit a true and fair view of the financial position and financial performance of Transport Service of New South Wales; and

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

Rodd Staples
Secretary

Date: 10 October 2018

Transport Service of New South Wales
Statement of comprehensive income
as at 30 June 2018

	Notes	2018 $'000	2017 $'000
Expenses excluding losses			
Employee related	2(a)	1,966,552	1,809,564
Other operating expenses	2(b)	46	45
Total expenses excluding losses		**1,966,598**	**1,809,609**
Revenue			
Grants and contributions	3(c)	46	45
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	54,365	40,360
Personnel service revenue	3(a)	1,905,593	1,735,096
Total revenue		**1,960,004**	**1,775,501**
Net result		**(6,594)**	**(34,108)**
Other comprehensive income			
Items that may be reclassified subsequently to net result			
Remeasurement of defined benefit superannuation schemes	7	6,594	34,108
Total other comprehensive income		**6,594**	**34,108**
Total comprehensive income		**-**	**-**

The accompanying notes form part of these financial statements.

Transport Service of New South Wales
Statement of financial position
as at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	38,335	13,955
Receivables	5	278,015	294,588
Total current assets		**316,350**	**308,543**
Non-current assets			
Receivables	5	187,063	199,461
Total non-current assets		**187,063**	**199,461**
Total assets		**503,413**	**508,004**
LIABILITIES			
Current liabilities			
Payables	6	24,054	21,541
Employee benefits	7	292,296	287,002
Total current liabilities		**316,350**	**308,543**
Non-current liabilities			
Employee benefits	7	187,063	199,461
Total non-current liabilities		**187,063**	**199,461**
Total liabilities		**503,413**	**508,004**
Net assets		**-**	**-**
EQUITY			
Accumulated funds		-	-
Total equity		**-**	**-**

The accompanying notes form part of these financial statements.

Transport Service of New South Wales
Statement of changes in equity
for the year ended 30 June 2018

	Notes	Accumulated funds $ '000	Total equity $ '000
Balance at 1 July 2017		**-**	**-**
Net result for the year		**(6,594)**	**(6,594)**
Other comprehensive income			
Remeasurement of defined benefit superannuation schemes	7	6,594	6,594
Total other comprehensive income		**6,594**	**6,594**
Total comprehensive income for the year		**-**	**-**
Balance at 30 June 2018		**-**	**-**
Balance at 1 July 2016		**-**	**-**
Net result for the year		**(34,108)**	**(34,108)**
Other comprehensive income			
Remeasurement of defined benefit superannuation schemes	7	34,108	34,108
Total other comprehensive income		**34,108**	**34,108**
Total comprehensive income for the year		**-**	**-**
Balance at 30 June 2017		**-**	**-**

The accompanying notes form part of these financial statements.

Transport Service of New South Wales
Statement of cash flows
for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Payments			
Employee related		(1,910,353)	(1,784,068)
Total payments		**(1,910,353)**	**(1,784,067)**
Receipts			
Personnel services		1,934,733	1,790,696
Total receipts		**1,934,733**	**1,790,696**
Net cash inflows from operating activities	8	**24,380**	**6,629**
Cash flows from investing activities			
Net cash inflows/(outflows) from investing activities		**-**	**-**
Cash flows from financing activities			
Net cash inflows/(outflows) from financing activities		**-**	**-**
Net increase in cash		**24,380**	**6,629**
Opening cash and cash equivalents		13,955	7,326
Closing cash and cash equivalents	4	**38,335**	**13,955**

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies

(a) Reporting entity

The Transport Service of New South Wales (Transport Service) was established on 1 November 2011 as a not-for-profit agency (as profit is not its principal objective) to employ staff to enable Transport for NSW, which cannot directly employ staff, to undertake its functions. Transport Service also directly employs staff for Roads and Maritime Services (RMS), State Transit Authority (STA), as well as senior executives of Sydney Trains and NSW Trains.

The salaries and related costs are recovered from the relevant entities to which the employees are assigned except for long service leave and defined benefits superannuation scheme expenses relating to Transport for NSW, RMS and all senior executives which are assumed by the Crown.

Transport Service is a NSW government entity controlled by the Department of Transport. The financial statements of Transport Service are consolidated in the Department of Transport financial statements and the NSW Total State Sector, which is the ultimate parent.

The financial statements of Transport Service for the year ended 30 June 2018 were authorised for issue by the Secretary on the date the accompanying statement was signed.

(b) Basis of preparation

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

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

Financial statements items are prepared in accordance with the historical cost convention except for superannuation.

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

(c) Critical accounting estimates, judgements and assumptions

In the application of accounting standards, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the current set of circumstances. Actual results may differ from these estimates.

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

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

(d) Statement of compliance

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

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

(e) Comparative information

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

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

(i) Effective for the first time in 2018

The accounting policies applied in 2018 are consistent with those of the previous financial year. The amendments to Australian Accounting Standards that are effective for the first time in 2018 had no significant impact on the financial statements.

(ii) New Australian Accounting Standards issued but not effective

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

AASB 15 *Revenue from Contracts with Customers*, including the amendments AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8 has application from annual reporting periods on or after 1 January 2019. Transport Service is yet to undertake a detailed assessment of the impact of AASB 15. This standard is expected to impact the timing of recognition of certain revenue given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine revenue recognition.

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

Standard	**Applicable to annual reporting periods beginning on or after**
AASB 9 Financial Instruments	1 January 2018
AASB 16 Leases	1 January 2019
AASB 1058 Income of Not-for-profit Entities	1 January 2019
AASB 1059 Service Concession Arrangements: Grantors	1 January 2019
AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019

2. Expenses excluding losses

(a) Employee related expenses

	2018 $'000	2017 $'000
Salaries and wages (including annual leave)	1,603,210	1,500,279
Superannuation - defined benefit plan	25,028	25,965
Superannuation - defined contribution plan	123,504	114,190
Long service leave	55,542	31,595
Workers' compensation insurance	12,439	11,559
Payroll tax and fringe benefit tax	102,031	91,899
Redundancies	43,989	33,213
Other employment benefits	809	864
Employee related expenses	**1,966,552**	**1,809,564**

(b) Other operating expenses

	2018 $'000	2017 $'000
Auditor's remuneration - audit of financial statements	46	45
Other operating expenses	**46**	**45**

3. Revenue

(a) Personnel service revenue

	2018 $'000	2017 $'000
Fee for personnel services	1,905,593	1,735,096
Personnel service revenue	**1,905,593**	**1,735,096**

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

	2018 $'000	2017 $'000
Superannuation - defined benefit	13,028	16,876
Long service leave	40,546	22,558
Payroll tax	791	926
Acceptance by the Crown Entity of employee benefits and other liabilities	**54,365**	**40,360**

(c) Grants and contributions

	2018 $'000	2017 $'000
Grant from Transport for NSW	46	45
Grants and contributions	**46**	**45**

3. Revenue (cont'd)

Recognition and Measurement

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefit will flow to Transport Service and the income can be reliably measured.

Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised

4. Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank	38,335	13,955
Cash and cash equivalents	**38,335**	**13,955**

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank.

5. Receivables

	2018 $'000	2017 $'000
Personnel service receivables	278,015	294,588
Current receivables	**278,015**	**294,588**
Personnel service receivables	187,063	199,461
Non-current receivables	**187,063**	**199,461**

Recognition and Measurement

Receivables are recognised when it is probable that the future cash inflows associated with them will be realised and they have a value that can be measured reliably. They are derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

Receivables are recognised initially at fair value, usually based on the transaction cost. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

6. Payables

	2018 $'000	2017 $'000
Accruals - salaries and on-costs	23,156	19,843
Creditors	898	1,698
Current payables	**24,054**	**21,541**

6. Payables (cont'd)

Recognition and Measurement

Payables include accrued salaries and wages and related on-costs (such as payroll tax, fringe benefits tax, workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

Payables are recognised initially at fair value, usually based on the transaction cost. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

7. Employee benefits

	Notes	2018 $'000	2017 $'000
Annual leave[1]		157,852	148,994
Long service leave[2]		116,171	126,416
Workers compensation insurance[3]		3,715	3,672
Payroll tax		9,404	7,502
Public holidays		351	418
Severance payments / redundancies		4,803	-
Current employee benefits		**292,296**	**287,002**
Long service leave[2]		11,781	9,632
Workers compensation insurance[3]		18,316	17,256
Superannuation		156,966	172,573
Non-current employee benefits		**187,063**	**199,461**
Employee benefits - current		292,296	287,002
Employee benefits – non-current		187,063	199,461
Accruals - salaries and on-costs	6	23,156	19,843
Total employee benefits and related on-costs		**502,515**	**506,306**

[1] It is estimated that the provision for annual leave includes an amount of $5.1 million that is expected to be taken after 30 June 2019 (after 30 June 2018: $3.3 million).

[2] The provision for long service leave represents consequential costs not assumed by the Crown Entity for Transport for NSW and RMS Employment Groups and the provision for long service leave and associated consequential costs for State Transit Authority (STA) Employment Group of Transport Service as per NSW TC 15/09. It is estimated that the current provision for long service leave includes an amount of $106.3 million that is expected to be taken after 30 June 2019 (after 30 June 2018: $116.2 million).

[3] Includes STA self insurance arrangement for workers compensation.

7. Employee benefits (cont'd)

Recognition and Measurement

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

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Transport Service has assessed the actuarial advice based on Transport Service's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

(ii) Long service leave and superannuation

Transport Services' liabilities for long service leave and defined benefit superannuation are either assumed by the Crown Finance Entity or the entity itself.

For liabilities that are assumed by the Crown Finance Entity, Transport Service accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Finance Entity of employee benefits and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSW TC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense recognised in the Statement of comprehensive income comprises:
- defined contribution plans, the expense is calculated as a percentage of the employees' salary;
- defined benefit plans, the expense is a multiple of the employees' superannuation contributions as specified in the Treasury Circular *"Accounting for Superannuation"* (NSW TC 17/07).

When liabilities are assumed by Transport Service, they are recognised in the Statement of financial position and measured as follows:
- Long service leave is measured as the present value of expected future payments to be made in respect of employee's service up to the reporting date, in accordance with AASB 119 *Employee Benefits*. This is based on an actuarial assessment. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service.
- Contributions to defined contribution plans are expensed when incurred. The superannuation expense is calculated as a percentage of the employee's salary. A liability is recognised only to the extent of unpaid employer contributions at reporting date.

7. Employee benefits (cont'd)

Recognition and Measurement (cont'd)

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

- For defined benefit plans, actuarial valuations are carried out at each reporting date by Mercer and the actuarial gains and losses are recognised outside of the net result in other comprehensive income in the year in which they occur. Expenses are recognised based on service costs plus net interest on the net liability or asset for the reporting period as calculated and advised by Mercer. A net liability or asset is recognised based on the difference between the present value of Transport Services' defined benefit obligations and the fair value of fund assets as at the reporting date, as adjusted for any asset ceiling. The net liability or asset is actuarially determined.

(iii) Consequential on-costs

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

Defined benefit superannuation overview

This overview only relates to the STA Employment Group whose defined benefit superannuation schemes are not assumed by the Crown Entity.

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

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

7. Employee benefits (cont'd)

Year ended 30 June 2018	**SASS**	**SANCS**	**SSS**	**Total**
Member numbers				
Contributors	303	303	-	
Deferred benefits	-	-	-	
Pensioners	200	-	17	
Pensions fully commuted	-	-	2	
	$'000	**$'000**	**$'000**	**$'000**
Superannuation Position for AASB 119 purposes				
Accrued liability (Note 1)	299,438	17,562	19,590	336,590
Estimated reserve account balance	(146,395)	(20,259)	(12,970)	(179,624)
Deficit/(surplus)	**153,043**	**(2,697)**	**6,620**	**156,966**
Future service liability (Note 2)	6,489	3,749	-	10,238
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of financial position	**153,043**	**(2,697)**	**6,620**	**156,966**

Year ended 30 June 2017	**SASS**	**SANCS**	**SSS**	**Total**
Member numbers				
Contributors	415	415	-	
Deferred benefits	-	-	-	
Pensioners	180	-	17	
Pensions fully commuted	-	-	2	
	$'000	**$'000**	**$'000**	**$'000**
Superannuation Position for AASB 119 purposes				
Accrued liability (Note 1)	336,521	23,077	19,943	379,541
Estimated reserve account balance	(170,360)	(23,960)	(12,648)	(206,968)
Deficit/(surplus)	**166,161**	**(883)**	**7,295**	**172,573**
Future service liability (Note 2)	10,225	5,960	-	16,185
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of financial position	**166,161**	**(883)**	**7,295**	**172,573**

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

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

7. Employee benefits (cont'd)

- **Nature of the benefits provided by the fund – Para 139(a)(i)**

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

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

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

All the Schemes are closed to new members.

- **Description of the regulatory framework - Para 139(a)(ii)**

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

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

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

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

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

- **Description of other entities' responsibilities for the governance of the fund - Para 139(a)(iii)**

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

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

7. Employee benefits (cont'd)

- **Description of risks - Para 139(b)**

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

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

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

- **Description of significant events - Para 139(c)**

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

- **Reconciliation of the net defined benefit liability/(asset) - Para 140(a)**

Year ended 30 June 2018	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Net defined benefit liability/(asset) at start of year	166,161	(883)	7,295	172,573
Current service cost	3,514	873	-	4,387
Net interest on the net defined benefit liability/(asset)	4,138	(39)	191	4,290
Actual return on fund assets less interest income	(8,819)	(1,117)	(734)	(10,670)
Actuarial (gains)/losses arising from changes in financial assumptions	(466)	23	(77)	(520)
Actuarial (gains)/losses from liability experience	(543)	(140)	(155)	(838)
Employer contributions	(16,445)	(1,245)	-	(17,690)
Actuarial (gains)/losses arising from changes in demographic assumptions	5,503	(169)	100	5,434
Net defined benefit liability/(asset) at end of year	**153,043**	**(2,697)**	**6,620**	**156,966**

7. Employee benefits (cont'd)

- **Reconciliation of the net defined benefit liability/(asset) - Para 140(a) (cont'd)**

Year ended 30 June 2017	**SASS**	**SANCS**	**SSS**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Net defined benefit liability/(asset) at start of year	191,495	14,225	10,387	216,107
Current service cost	4,006	967	-	4,973
Net interest on the net defined benefit liability/(asset)	3,763	145	207	4,115
Actual return on fund assets less interest income	(11,662)	(1,140)	(876)	(13,678)
Actuarial (gains)/losses arising from changes in financial assumptions	(20,473)	(1,047)	(1,978)	(23,498)
Actuarial (gains)/losses from liability experience	3,598	(293)	(445)	2,860
Employer contributions	(4,767)	(13,748)	-	(18,515)
Actuarial (gains)/losses arising from changes in demographic assumptions	201	8	-	209
Net defined benefit liability/(asset) at end of year	**166,161**	**(883)**	**7,295**	**172,573**

- **Reconciliation of the fair value of fund assets – Para 140(a)(i)**

Year ended 30 June 2018	**SASS**	**SANCS**	**SSS**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Fair value of fund assets at the beginning of the year	170,361	23,960	12,648	206,969
Interest income	4,337	605	320	5,262
Actual return on fund assets less interest income	8,819	1,117	734	10,670
Employer contributions	16,445	1,245	-	17,690
Contributions by participants	1,991	-	-	1,991
Benefits paid	(55,040)	(6,368)	(858)	(62,266)
Taxes, premiums & expenses paid	(518)	(300)	126	(692)
Fair value of fund assets at end of the year	**146,395**	**20,259**	**12,970**	**179,624**

Year ended 30 June 2017	**SASS**	**SANCS**	**SSS**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Fair value of fund assets at the beginning of the year	166,684	12,559	12,240	191,483
Interest income	3,141	341	235	3,717
Actual return on fund assets less interest income	11,662	1,140	876	13,678
Employer contributions	4,767	13,748	-	18,515
Contributions by participants	2,125	-	-	2,125
Benefits paid	(18,976)	(1,965)	(838)	(21,779)
Taxes, premiums & expenses paid	958	(1,863)	135	(770)
Fair value of fund assets at end of the year	**170,361**	**23,960**	**12,648**	**206,969**

7. Employee benefits (cont'd)

- **Reconciliation of the defined benefit obligation – Para 140(a)(ii)**

Year ended 30 June 2018	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Present value of defined benefit obligation at beginning of the year	336,522	23,078	19,942	379,542
Current service cost	3,514	873	-	4,387
Interest cost	8,475	566	511	9,552
Contributions by participants	1,991	-	-	1,991
Actuarial (gains)/losses arising from changes in demographic assumptions	5,503	(169)	100	5,434
Actuarial (gains)/losses arising from changes in financial assumptions	(466)	23	(77)	(520)
Actuarial (gains)/losses arising from liability experience	(543)	(140)	(155)	(838)
Benefits paid	(55,040)	(6,368)	(858)	(62,266)
Taxes, premiums & expenses paid	(518)	(300)	126	(692)
Present value of defined benefit obligations at end of the year	**299,438**	**17,563**	**19,589**	**336,590**

Year ended 30 June 2017	**SASS $'000**	**SANCS $'000**	**SSS $'000**	**Total $'000**
Present value of defined benefit obligation at beginning of the year	358,179	26,784	22,627	407,590
Current service cost	4,006	967	-	4,973
Interest cost	6,904	487	441	7,832
Contributions by participants	2,125	-	-	2,125
Actuarial (gains)/losses arising from changes in demographic assumptions	201	8	-	209
Actuarial (gains)/losses arising from changes in financial assumptions	(20,473)	(1,047)	(1,978)	(23,498)
Actuarial (gains)/losses arising from liability experience	3,598	(293)	(445)	2,860
Benefits paid	(18,976)	(1,965)	(838)	(21,779)
Taxes, premiums & expenses paid	958	(1,863)	135	(770)
Present value of defined benefit obligations at end of the year	**336,522**	**23,078**	**19,942**	**379,542**

7. Employee benefits (cont'd)

- **Fair value of fund assets - Para 142**

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

Year ended 30 June 2018	**Total**	**Quoted prices in active markets for identical assets**	**Significant observable inputs**	**Unobservable inputs**
	$'M	**$'M**	**$'M**	**$'M**
Short Term Securities	4,401	2,185	2,216	-
Australian fixed interest	2,235	42	2,193	-
International fixed interest	1,396	8	1,388	-
Australian equities	9,272	8,720	549	3
International equities	10,891	8,499	2,391	1
Property	3,711	788	609	2,314
Alternatives	9,895	421	5,333	4,141
Total	**41,801**	**20,663**	**14,679**	**6,459**

Year ended 30 June 2017	**Total**	**Quoted prices in active markets for identical assets**	**Significant observable inputs**	**Unobservable inputs**
	$'M	**$'M**	**$'M**	**$'M**
Short term securities	3,087	3,077	10	-
Australian fixed interest	2,501	1	2,500	-
International fixed interest	481	-	481	-
Australian equities	9,446	8,947	499	-
International equities	12,053	9,033	1,869	1,151
Property	3,453	926	533	1,994
Alternatives	9,066	391	5,068	3,607
Total	**40,087**	**22,375**	**10,960**	**6,752**

7. Employee benefits (cont'd)

- **Fair value of fund assets - Para 142 (cont'd)**

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

	2018 %	2017 %
Short term securities	10.5	-
Australian fixed interest	5.3	6.2
International fixed interest	3.3	1.2
Australian equities	22.2	23.6
International equities	26.1	30.1
Property	8.9	8.6
Alternatives	23.7	22.6
Cash	-	7.7
Total	**100.0**	**100.0**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.
Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.
Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

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

Fair value of entity's own financial instruments – Para 143

The fair value of the pooled fund assets as at 30 June 2018 include $97.7 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:
- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $280 million (30 June 2017: $250 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $287 million (30 June 2017: $261 million).

- **Significant actuarial assumptions at the reporting date - Para 144**

	2018	2017
Discount rate	2.65% pa	2.62% pa
Salary increase rate (excluding promotional increases)	2.7% pa for 2018/2019;3.2% pa thereafter	2.50% 2017/2018 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	2.25% pa for 2018/2019 and 2019/2020; 2.5% pa thereafter	2% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter
Pensioner mortality	as per the 2018 Actuarial Investigation of the Pooled Fund	as per the 2015 Actuarial Investigation of the Pooled Fund

7. Employee benefits (cont'd)

- **Sensitivity analysis – Para 145**

The entity's total defined benefit obligation as at 30 June 2018 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2018.

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

Year ended 30 June 2018	**Base case**	**Scenario A -1% discount rate**	**Scenario B +1% discount rate**
Discount rate	2.65%	1.65%	3.65%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	336,590	370,892	308,144
	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	336,590	349,299	324,931
	Base case	**Scenario E +0.5% rate of salary increase**	**Scenario F -0.5% rate of salary increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A$'000)	336,590	339,895	333,397
	Base case	**Scenario G Lower mortality rates***	**Scenario H Higher mortality rates****
Defined benefit obligation (A$'000)	336,590	340,470	334,102

*Assumes the short term pensioner mortality improvement factors for years 2018 to 2023 also apply for years after 2023.
**Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2018 to 2023.

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

7. Employee benefits (cont'd)

- **Sensitivity analysis – Para 145 (cont'd)**

The entity's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2017.

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

Year ended 30 June 2017	**Base case**	**Scenario A -1% discount rate**	**Scenario B +1% discount rate**
Discount rate	2.62%	1.62%	3.62%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	379,541	417,653	347,952

	Base case	**Scenario C +0.5% rate of CPI increase**	**Scenario D -0.5% rate of CPI increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	379,541	392,031	368,089

	Base case	**Scenario E +0.5% rate of salary increase**	**Scenario F -0.5% rate of salary increase**
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A$'000)	379,541	384,692	374,589

	Base case	**Scenario G Higher mortality rates***	**Scenario H Lower mortality rates****
Defined benefit obligation (A$'000)	379,541	384,108	377,024

*Assumes the short term pensioner mortality improvement factors for years 2018 to 2023 also apply for years after 2023.
**Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2018 to 2023.

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

7. Employee benefits (cont'd)

- **Asset-liability matching strategies - Para 146**

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

- **Funding arrangements - Para 147(a)**

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

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

- **Surplus/deficit**

The following is a summary of the 30 June 2018 financial position of the Fund calculated in accordance with AASB 1056 "Superannuation Entities":

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued benefits*	203,394	15,822	10,932	230,148
Net market value of fund assets	(146,395)	(20,259)	(12,970)	(179,624)
Net (surplus)/deficit	**56,999**	**(4,437)**	**(2,038)**	**50,524**

Year ended 30 June 2017	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued benefits*	232,505	19,127	10,981	262,613
Net market value of fund assets	(170,360)	(23,960)	(12,648)	(206,968)
Net (surplus)/deficit	**62,145**	**(4,833)**	**(1,667)**	**55,645**

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

- **Contribution recommendations**

Year ended 30 June 2018	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contributions rates were:			
STA Employment Group	2.2	2.5%	-

Year ended 30 June 2017	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
Recommended contributions rates were:			
STA Employment Group	2.2	2.5%	1.6

7. Employee benefits (cont'd)

- **Economic assumptions**

The economic assumptions adopted for the 30 June 2018 AASB 1056 "Superannuation entities":

Weighted-average assumptions	2018 % p.a.	2017 % p.a.
Expected rate of return on fund assets backing current pension liabilities	7.4% pa	7.4% pa
Expected rate of return on fund assets backing other liabilities	6.4% pa	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	2.7% to 30 June 2019 then 3.2% pa thereafter	2.7% to 30 June 2019 then 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa	2.2% pa

- **Expected contributions - Para 147(b)**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	3,273	529	-	3,802

Year ended 30 June 2017	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	4,674	772	-	5,446

- **Maturity profile of defined benefit obligation - Para 147(c)**

The weighted average duration of the defined benefit obligation is:

STA employment group – 11 years.

- **Profit or loss impact**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Current service cost	3,514	873	-	4,387
Net interest	4,137	(39)	191	4,289
Defined benefit cost	**7,651**	**834**	**191**	**8,676**

Year ended 30 June 2017	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Current service cost	4,006	967	-	4,973
Net interest	3,763	145	207	4,115
Defined benefit cost	**7,769**	**1,112**	**207**	**9,088**

7. Employee benefits (cont'd)

- **Other comprehensive income**

Year ended 30 June 2018	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Actuarial (gains)/losses on liabilities	4,494	(286)	(132)	4,076
Actual return on fund asset less interest income	(8,819)	(1,117)	(734)	(10,670)
Total remeasurement in other comprehensive income	**(4,325)**	**(1,403)**	**(866)**	**(6,594)**

Year ended 30 June 2017	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Actuarial (gains)/losses on liabilities	(16,674)	(1,333)	(2,423)	(20,430)
Actual return on fund assets less interest income	(11,662)	(1,140)	(876)	(13,678)
Total remeasurement in other comprehensive income	**(28,336)**	**(2,473)**	**(3,299)**	**(34,108)**

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

	2018 $'000	2017 $'000
Net cash inflows from operating activities	24,380	6,629
Non cash acceptance by the Crown Entity of employee entitlements	54,365	40,361
Non cash expense (long service leave and superannuation assumed by the Crown Entity)	(54,365)	(40,361)
(Decrease)/increase in receivables	(28,971)	(55,555)
(Increase)/decrease in payables	(2,513)	7,170
(Increase)/decrease in employee benefits	510	7,648
Net Result	**(6,594)**	**(34,108)**

9. Financial instruments

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

The reporting entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of the reporting entity do not expose it to a variety of financial risks such as credit, liquidity or market risk. The main risks arising from any financial instrument of the reporting entity are outlined below together with the reporting entity's objectives, policies and processes for measuring and managing the risks.

Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary of the reporting entity has overall responsibility for the establishment and oversight of risk management and review and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the Audit and Risk Committee and internal audit on a regular basis.

(a) Financial instrument categories

	Note	Category	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Financial assets				
Class:				
Cash and cash equivalents	4	N/A	38,335	13,955
Receivables[1]	5	Loans and receivables (at amortised cost)	465,078	494,049
			503,413	**508,004**

	Note	Category	2018 $'000	2017 $'000
Financial liabilities				
Class:				
Payables[2]	6	Financial liabilities (at amortised cost)	23,263	20,876
			23,263	**20,876**

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB7)
[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7)

(b) Derecognition of financial assets and financial liabilities

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

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

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

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

9. Financial instruments (cont'd)

(c) Credit risk

Credit risk arises where a debtor or counterparty does not complete their obligations, resulting in financial loss to Transport Service.

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions.

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

(i) Cash

Cash comprises bank balances within the NSW Treasury Banking System.

(ii) Receivables – personnel service receivables

All personnel service receivables are recognised as amounts receivable at balance date. Personnel service receivables are employee related. All debtors are NSW government agencies and no debtor balances are considered impaired as 30 June 2018.

(d) Liquidity risk

Liquidity risk is the risk that Transport Service will be unable to meet its payment obligations when they fall due. Transport Service continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets primarily in the form of cash at bank.

During the current and prior year, there were no defaults of loans payable and no assets have been pledged as collateral.

			Interest rate exposure			Maturity dates		
	Weighted average effective int. rate (%)	**Nominal amount**	**Fixed Interest Rate**	**Variable Interest Rate**	**Non-interest bearing**	**< 1 year**	**1 - 5 years**	**> 5 years**
		$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
2018 Payables:								
Accrued salaries, wages and on-costs	-	23,156	-	-	23,156	23,156	-	-
Other creditors	-	107	-	-	107	107	-	-
Total	**-**	**23,263**	**-**	**-**	**23,263**	**23,263**	**-**	**-**
2017 Payables:								
Accrued salaries, wages and on-costs	-	19,843	-	-	19,843	19,843	-	-
Other creditors	-	1,033	-	-	1,033	1,033	-	-
Total	**-**	**20,876**	**-**	**-**	**20,876**	**20,876**	**-**	**-**

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The entity has no exposure to foreign currency risk and does not enter into commodity contracts.

9. Financial instruments (cont'd)

(f) Fair value compared to carrying amount

Financial instruments are recognised at amortised cost. The carrying value of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

10. Related party disclosures

(a) Key management personnel compensation

All of the entity's key management personnel compensation are borne by Transport for NSW.

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

All transactions and outstanding balances in these financial statements relate to the entity's function as provider of personnel services to Transport for NSW, Sydney Trains, NSW Trains, STA and RMS. Transport Service and these fellow entities are members of the Department of Transport consolidated entity group.

Long service leave and defined benefit superannuation scheme expenses relating to Transport for NSW, RMS and all senior executives were assumed by the Crown; while the Pooled Fund held in trust the investment relating to the closed NSW public sector superannuation schemes.

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

There were no transactions or outstanding balances with other related parties during the financial year (2017: no transactions or outstanding balances).

11. Contingent liabilities and contingent assets

Transport Service had no contingent liabilities or contingent assets at 30 June 2018 or 30 June 2017.

12. After balance date events

Approximately 1,200 Region 6 based employees belonging to the STA Employment Group became employees of Transit Systems West Services Pty Limited (TSW), effective 1 July 2018. Annual leave and long service leave entitlements of the transferred employees were transferred to TSW on 1 July 2018 and settled in July 2018 in accordance with the transfer agreement.

Approximately 80 Region 6 based employees belonging to the STA Employment Group are members of the SASS defined benefits scheme and following TSW's scheduling as an accredited employer by Mercer Administration, effective 1 July 2018. TSW assumes any future rise and fall of the net liability.

End of audited financial statements.

INDEPENDENT AUDITOR'S REPORT

Transport Service of New South Wales

To Members of the New South Wales Parliament

Opinion

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

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Service's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Secretary of the Service is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by Secretary.

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

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

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

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary must assess the Service's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Service 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 the Service carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Somaiya Ahmed
Director, Financial Audit Services

11 October 2018
SYDNEY

Sydney Ferries

Annual Financial Statements

for the year ended 30 June 2018

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Pursuant to Sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, I declare that, in my opinion:

1) The accompanying financial statements exhibit a true and fair view of the financial position of Sydney Ferries as at 30 June 2018, and of its financial performance for the year ended on that date.

2) These financial statements have been prepared in accordance with the provisions of the applicable Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and NSW Treasurer's Directions.

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

Stephen Troughton
Acting Chief Executive

24 September 2018

Sydney Ferries
Statement of comprehensive income
for the year ended 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
Expenses excluding losses			
Operating expenses			
Other operating expenses	2(a)	804	853
Depreciation and amortisation	2(b)	14,562	11,806
Total expenses excluding losses		**15,366**	**12,659**
Revenue			
Operational revenue	3(a)	6,224	6,114
Investment revenue	3(b)	566	395
Grants and contributions	3(c)	-	37,993
Other revenue	3(d)	5,196	4,993
Total revenue		**11,986**	**49,495**
Other gains/(losses)	4	(6,272)	870
Net result		**(9,652)**	**37,706**
Other comprehensive income			
Items that may be reclassified subsequently to net result			
Net increase/(decrease) in asset revaluation surplus	7	-	890
Total other comprehensive income		**-**	**890**
Total comprehensive income		**(9,652)**	**38,596**

The accompanying notes form part of these financial statements.

Sydney Ferries
Statement of financial position
as at 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	37,754	46,996
Receivables	6	15	1,636
Total current assets		**37,769**	**48,632**
Non-current assets			
Property, plant and equipment	7	103,203	103,591
Intangible assets	8	26,888	31,245
Total non-current assets		**130,091**	**134,836**
Total assets		**167,860**	**183,468**
LIABILITIES			
Current liabilities			
Payables	10	246	5,853
Other liabilities	11	3,127	3,476
Total current liabilities		**3,373**	**9,329**
Total liabilities		**3,373**	**9,329**
Net assets		**164,487**	**174,139**
EQUITY			
Accumulated funds		158,360	168,012
Reserves		6,127	6,127
Total equity		**164,487**	**174,139**

The accompanying notes form part of these financial statements.

Sydney Ferries
Statement of changes in equity
for the year ended 30 June 2018

	Accumulated funds $ '000	Asset revaluation surplus $ '000	Total equity $ '000
Balance at 1 July 2017	**168,012**	**6,127**	**174,139**
Net result for the year	**(9,652)**	**-**	**(9,652)**
Total comprehensive income for the year	**(9,652)**	**-**	**(9,652)**
Balance at 30 June 2018	**158,360**	**6,127**	**164,487**
Balance at 1 July 2016	**130,306**	**5,237**	**135,543**
Net result for the year	**37,706**	**-**	**37,706**
Other comprehensive income			
Net increase/(decrease) in asset revaluation surplus	-	890	890
Total other comprehensive income	**-**	**890**	**890**
Total comprehensive income for the year	**37,706**	**890**	**38,596**
Balance at 30 June 2017	**168,012**	**6,127**	**174,139**

The accompanying notes form part of these financial statements.

Sydney Ferries
Statement of cash flows
for the year ended 30 June 2018

	Notes	Actual 2018 $'000	Actual 2017 $'000
Cash flows from operating activities			
Payments			
Payments to former employees		(349)	(826)
Payments to suppliers		(1,789)	(3,001)
Total payments		**(2,138)**	**(3,827)**
Receipts			
Operational revenue		8,668	8,009
Interest received		743	383
Grants and contributions		-	37,993
Total receipts		**9,411**	**46,385**
Net cash flows from operating activities	15	**7,273**	**42,558**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(16,515)	(24,758)
Net cash flows from investing activities		**(16,515)**	**(24,758)**
Net (decrease)/increase in cash		**(9,242)**	**17,800**
Opening cash and cash equivalents		46,996	29,196
Closing cash and cash equivalents	5	**37,754**	**46,996**

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

Sydney Ferries is a statutory corporation established by the *Transport Administration Act 1988*. Sydney Ferries is a "statutory authority" for the purposes of the *Public Finance and Audit Act 1983* and is a controlled entity of Transport for NSW. Transport for NSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector (ultimate parent).

Sydney Ferries was initially established to deliver public ferry services in Sydney. On 3 May 2012 the Minister for Transport announced that Harbour City Ferries (HCF) was awarded a contract to operate ferry services on Port Jackson and the Parramatta River for seven years under a new Ferry System Contract between HCF and Transport for NSW. The contract commenced on 28 July 2012. Since 28 July 2012, HCF leases the vessels, land and buildings from Sydney Ferries.

RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE). TAHE may eventually hold additional public transport assets for the State, including ferry vessel assets currently held by Sydney Ferries. The transfer of assets is intended to occur progressively over the next few years.

The financial statements were authorised for issue by the Acting Chief Executive on the date on which the accompanying Statement by the Chief Executive was signed.

(b) Basis of preparation

The financial statements of Sydney Ferries have been prepared as general purpose financial statements on an accrual basis in accordance with:
- applicable Australian Accounting Standards and Interpretations;
- the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*; and
- Financial Reporting Directions mandated by the NSW Treasurer.

All amounts are rounded to the nearest one thousand dollars unless otherwise stated and are expressed in Australian currency.

(c) Statement of compliance

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

(d) Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment and intangible assets, which are measured at fair value.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognised in the period in which the estimate is revised and in any future periods affected.

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

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

(e) Use of estimates and judgements (cont'd)

(i) Critical judgements in applying the accounting policies:

Determination of for-profit or not-for-profit
Sydney Ferries is a not-for-profit entity as profit is not its principal objective.

Going concern
The financial statements have been prepared on a going concern basis which assumes that payment of liabilities will be met, as and when they fall due, without any intention or necessity to liquidate assets or otherwise wind up operations.

(f) Taxes

(i) Accounting for Goods and Services Tax (GST)

In relation to GST, revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred by Sydney Ferries as a purchaser is not recoverable from the Australian Taxation Office. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

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

(ii) Income Tax

NSW Treasury has advised that Sydney Ferries is exempt from the Tax Equivalent Regime for Government Businesses (Treasury Policy Paper 03-4). Accordingly, tax effect accounting is not prepared.

(iii) State taxes

Sydney Ferries is exempt from land tax.

(g) Comparatives

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

(h) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being Sydney Ferries' operational cycle. In the case of liabilities where Sydney Ferries does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

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

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

(i) Effective for the first time in 2018

The accounting policies applied in 2018 are consistent with those of the previous financial year. The amendments to Australian Accounting Standards that are effective for the first time in 2018 had no significant impact on the financial statements.

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

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

Sydney Ferries is currently undertaking a detailed assessment of the impact of the following standards:

- AASB 16 *Leases* will apply to annual reporting periods beginning on or after 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The application of this standard is expected to have a significant transitional impact as a result of all leases, except those that are short term and low value, brought on balance sheet.

- AASB 1058 *Income of Not-for-profit Entities* will apply to annual reporting periods beginning on or after 1 January 2019. AASB 1004 *Contributions* has been amended with many of its requirements being revised and relocated to the new AASB 1058. The initial application of this standard may defer the recognition of income in some circumstances.

- AASB 15 *Revenue from Contracts with Customers*, including the amendments AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8 will apply to annual reporting periods beginning on or after 1 January 2019. This standard is expected to impact the timing of recognition of certain revenue given the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction at fair value). The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

- AASB 1059 *Service Concession Arrangements: Grantors* will apply to annual reporting periods beginning on or after 1 January 2019. The standard requires the grantor to recognise a service concession asset, at current replacement cost, in a service concession arrangement where it controls the asset. A corresponding liability is also recognised depending on the nature of the consideration exchanged. This standard may have a significant transitional impact as a result of the accounting treatment for Sydney Ferries' arrangement with the private sector operator.

- AASB 9 *Financial Instruments* will apply to annual reporting periods beginning on or after 1 January 2018. The impact of the standard in the period of initial application is not expected to be significant.

2. Expenses excluding losses

(a) Other operating expenses

	2018 $'000	2017 $'000
Auditor's remuneration - audit of financial statements	41	44
General expenses	26	16
Professional services	28	79
Maintenance	417	449
Operating lease rental expense	74	72
Administration	218	193
Other operating expenses	**804**	**853**

(b) Depreciation and amortisation

	Notes	2018 $'000	2017 $'000
Buildings		399	379
Ferries		10,838	8,103
Plant and equipment		184	183
Depreciation	7	**11,421**	**8,665**
Computer software		3,141	3,141
Amortisation	8	**3,141**	**3,141**
Depreciation and amortisation		**14,562**	**11,806**

Recognition and measurement

(i) Leases

A distinction is made between finance leases (which effectively transfers from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets), and operating leases (under which the lessor does not transfer substantially all the risks and rewards). Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an operating expense in the Statement of comprehensive income in the periods in which they are incurred.

(ii) Insurance

Sydney Ferries is a member of the Treasury Managed Fund. Coverage includes, but is not limited to: (a) legal liability inclusive of public liability, professional indemnity, directors & officers and product liability; and (b) personal accident for voluntary workers.

Harbour City Ferries has appropriate insurance to cover material liability, physical damage, business interruption, and other exposures arising out of normal business operations.

(iii) Repairs and maintenance

The cost of routine maintenance and repairs are expensed as incurred, except where they relate to the replacement of a component of an asset that increases the service potential of the asset, in which case the cost is capitalised and depreciated.

3. Revenue

(a) Operational revenue

	2018 $'000	2017 $'000
Ferry lease revenue	6,224	6,114
Operational revenue	**6,224**	**6,114**

(b) Investment revenue

	2018 $'000	2017 $'000
Interest income	566	395
Investment revenue	**566**	**395**

(c) Grants and contributions

	2018 $'000	2017 $'000
Grants from Transport for NSW	-	37,993
Grants and contributions	**-**	**37,993**

(d) Other revenue

	2018 $'000	2017 $'000
Major periodic maintenance revenue	5,196	4,993
Other revenue	**5,196**	**4,993**

Recognition and measurement

Revenue is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Revenue is not recognised unless receipt is probable and the amount is reliably measureable. Revenue is recognised on major income categories as follows:

(i) Grants

Income from grants is recognised when all of the following conditions are satisfied:

- Sydney Ferries obtains control of the grant or the right to receive the grant;
- it is probable that the economic benefits comprising the grant will flow to Sydney Ferries, and
- the amount of the grant can be measured reliably. Income from grants is measured at the fair value of the grant received or receivable.

Sydney Ferries is deemed to have assumed control when the grant is received or receivable. Unspent grants are accounted for as liabilities if there is a contractual obligation to refund the unspent amounts.

(ii) Investment revenue

Interest revenue is recognised in the Statement of comprehensive income as it accrues, using the effective interest method.

(iii) Rental revenue

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

3. Revenue (cont'd)

Recognition and measurement (cont'd)

(iv) Major periodic maintenance (MPM) revenue

MPM revenue is recognised in line with MPM work undertaken by the Ferry Services Contractor, Harbour City Ferries, on Sydney Ferries vessels.

4. Other gains/(losses)

	2018 $'000	2017 $'000
Revaluation decrement reversals on land assets	-	1,034
Revaluation decrement on ferries assets	(5,056)	-
Impairment reversals/(losses) on right to receive assets	(1,216)	(164)
Other gains/(losses)	**(6,272)**	**870**

5. Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank and on hand	37,754	46,996
Cash and cash equivalents	**37,754**	**46,996**

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial year to the Statement of cash flows as follows:

	2018 $'000	2017 $'000
Cash and cash equivalents (per Statement of financial position)	37,754	46,996
Closing cash and cash equivalents (per Statement of cash flows)	**37,754**	**46,996**

Recognition and measurement

Cash is carried at its principal amount and is subject to an insignificant risk of changes in value. Cash includes cash on hand and at bank.

6. Receivables

	2018 $'000	2017 $'000
Trade debtors	-	557
Goods and Services Tax recoverable	15	896
Prepayments	-	6
Interest receivables	-	177
Current receivables	**15**	**1,636**

6. Receivables (cont'd)

Recognition and measurement

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables.

Any changes are accounted for in the Statement of comprehensive income when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Impairment of financial assets

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

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

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

7. Property, plant and equipment

(a) Classes

	Land and buildings $ '000	Plant and equipment $ '000	Ferries $ '000	Assets under construction $ '000	Total ferries $ '000	Total property, plant and equipment $ '000
At 30 June 2018						
At fair value – Gross carrying amount	20,160	13,720	288,220	2,225	290,445	324,325
Accumulated depreciation and impairment	(11,214)	(9,217)	(200,691)	-	(200,691)	(221,122)
Net carrying amount	**8,946**	**4,503**	**87,529**	**2,225**	**89,754**	**103,203**
At 30 June 2017						
At fair value – Gross carrying amount	20,160	13,720	254,046	24,262	278,308	312,188
Accumulated depreciation and impairment	(10,815)	(9,033)	(188,749)	-	(188,749)	(208,597)
Net carrying amount	**9,345**	**4,687**	**65,297**	**24,262**	**89,559**	**103,591**

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

(b) Reconciliation of property, plant and equipment

Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and at the end of the reporting period are set out below:

	Notes	Land and buildings $ '000	Plant and equipment $ '000	Ferries $ '000	Assets under construction $ '000	Total ferries $ '000	Total property, plant and equipment $ '000
Net carrying amount at start of year		**9,345**	**4,687**	**65,297**	**24,262**	**89,559**	**103,591**
Additions		-	-	-	10,893	10,893	10,893
Major periodic maintenance additions		-	-	5,024	172	5,196	5,196
Reclassification between PPE classes		-	-	33,102	(33,102)	-	-
Revaluation increment/(decrement) recognised in net result	4	-	-	(5,056)	-	(5,056)	(5,056)
Depreciation expense	2(b)	(399)	(184)	(10,838)	-	(10,838)	(11,421)
Net carrying amount at 30 June 2018		**8,946**	**4,503**	**87,529**	**2,225**	**89,754**	**103,203**

	Notes	Land and buildings $ '000	Plant and equipment $ '000	Ferries $ '000	Assets under construction $ '000	Total ferries $ '000	Total property, plant and equipment $ '000
Net carrying amount at start of year		**7,800**	**4,870**	**51,100**	**12,961**	**64,061**	**76,731**
Additions		-	-	-	28,608	28,608	28,608
Major periodic maintenance additions		-	-	4,858	135	4,993	4,993
Reclassification between PPE classes		-	-	17,442	(17,442)	-	-
Revaluation increment/(decrement) recognised in net result	4	1,034	-	-	-	-	1,034
Depreciation expense	2(b)	(379)	(183)	(8,103)	-	(8,103)	(8,665)
Revaluation increment/(decrement) recognised in other comprehensive income		890	-	-	-	-	890
Net carrying amount at 30 June 2017		**9,345**	**4,687**	**65,297**	**24,262**	**89,559**	**103,591**

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

(b) Reconciliation of property, plant and equipment (cont'd)

Estimates:

Management has estimated expected usage and assessed the assets for impairment.

Valuations:

(a) Property, plant and equipment were revalued in accordance with the basis of valuation set out below.
(b) The following non-current assets were independently valued by registered valuers:

Class of assets	Date of valuation	Registered valuers
Land and buildings	30-Jun-17	Rodney Hyman Asset Services Pty. Ltd.
Ferries	30-Jun-18	Rodney Hyman Asset Services Pty. Ltd.

Recognition and measurement

(i) Acquisition of assets and capitalisation threshold

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Sydney Ferries. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash equivalent. The deferred payment amount is effectively discounted at an asset-specific rate.

Property, plant and equipment costing $5,000 or more individually and having a minimum expected useful life of one year or more is capitalised.

Major spares purchased specifically for particular assets or class of assets are, at the time of acquisition, included in the cost of the assets and depreciated accordingly.

(ii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the *'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper* (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement,* AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer to Note 9 for further information regarding fair value.

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

Recognition and measurement (cont'd)

(ii) Revaluation of property, plant and equipment (cont'd)

Sydney Ferries revalue land and buildings at least once every three years and each other class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last comprehensive revaluation of ferries was completed on 30 June 2018; comprehensive revaluations of freehold land, buildings and improvements were undertaken on 30 June 2017.

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

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

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

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

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

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

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

The current replacement cost is used to revalue specialised buildings (designed for specific limited purposes), infrastructure systems and certain plant and equipment. Current replacement cost for these types of assets is based on "incremental optimised replacement cost". Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components.

For vessels which are specialised assets, current replacement cost is determined by reference to the most appropriate modern, depreciated equivalent replacement asset that provided similar economic benefits.

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

Recognition and measurement (cont'd)

(ii) Revaluation of property, plant and equipment (cont'd)

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated. The accumulated depreciation is restated proportionately with the change in the gross carrying amount so that the carrying amount of the asset after revaluation equals its revalued amount. In all other cases the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset.

(iii) Work in progress

Costs relating to property, plant and equipment that are under construction, or are otherwise incomplete, are shown in the statement of financial position as work in progress and are not depreciated until the assets are brought into service.

(iv) Impairment of property, plant and equipment

In respect of a not-for-profit entity, value in use is the current replacement cost. Hence an impairment loss is unlikely to arise on any of Sydney Ferries' assets because the carrying amount (usually optimised replacement cost) is unlikely to exceed the recoverable amount. For vessels (which are specialised assets) held for sale, an impairment loss would arise when they are valued at market value and not disposed of in the same financial year.

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

(v) Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to Sydney Ferries. Property, plant and equipment, excluding freehold land and work in progress, are depreciated over their estimated useful lives as follows:

Asset Class	Life	Method
Freehold buildings	40 Yrs	Straight Line
Plant and equipment	3 to 30 Yrs	Straight Line
Ferries	20 to 40 Yrs	Straight Line

(vi) Dry docking

As part of the long-term maintenance program for the fleet, all vessels undergo a major refit (dry docking) on a regular basis (every 5 years for the Freshwater class of ferries and every 2 years for the remainder of the fleet). The cost of these dockings are capitalised and depreciated over the period to the subsequent docking or until the next revaluation date (whichever comes sooner). HCF performs major periodic maintenance for all vessels dry dockings on behalf of Sydney Ferries. Costs incurred by HCF are capitalised and depreciated accordingly.

8. Intangible assets

	2018 $'000	2017 $'000
Plant and equipment	4,067	4,310
Intangibles	832	1,280
Leasehold improvements	11,489	12,565
Inventory (including fuel)	9,452	8,901
Right to receive assets	**25,840**	**27,056**
Computer software	**1,048**	**4,189**
Total intangible assets	**26,888**	**31,245**

The contract with Harbour City Ferries for the provision of ferry services provides for assets to be returned to Sydney Ferries at the end of the contract. Those assets have been brought to account as a right to receive intangible asset.

Reconciliation of carrying amounts of each class of intangible at the beginning and at the end of the reporting period are set out below:

	Right to receive assets $ '000	Computer software $ '000	Total $ '000
Cost (gross carrying amount)	34,106	15,664	49,770
Accumulated amortisation and impairment	(8,266)	(14,616)	(22,882)
Net carrying amount at 30 June 2018	**25,840**	**1,048**	**26,888**
Cost (gross carrying amount)	34,106	15,664	49,770
Accumulated amortisation and impairment	(7,050)	(11,475)	(18,525)
Net carrying amount at 30 June 2017	**27,056**	**4,189**	**31,245**

Reconciliation

	Notes	Right to receive assets $ '000	Computer software $ '000	Total $ '000
Net carrying amount at start of year		27,056	4,189	**31,245**
Impairment reversals/(losses)	4	(1,216)	-	**(1,216)**
Amortisation	2(b)	-	(3,141)	**(3,141)**
Net carrying amount at 30 June 2018		**25,840**	**1,048**	**26,888**
Net carrying amount at start of year		27,220	7,330	**34,550**
Impairment reversals/(losses)	4	(164)	-	**(164)**
Amortisation	2(b)	-	(3,141)	**(3,141)**
Net carrying amount at 30 June 2017		**27,056**	**4,189**	**31,245**

Recognition and measurement

(i) Right to receive

Sydney Ferries recognises the right to receive ferry spare parts, inventory and fuel stocks which Harbour City Ferries (HCF) under its contract, must return at the end of that contract. HCF advises Sydney Ferries of the value of the right to receive assets as at 30 June each year based on the amount and relevant values of fuel and of each inventory item at the reporting date. The advice from HCF is used for the purpose of assessing impairment to the right to receive assets as at 30 June each year.

8. Intangible assets (cont'd)

Recognition and measurement (cont'd)

(ii) Computer software

The Ferry Operations Customer Information System (FOCIS) is recognised as computer software and amortised over its useful life of 5 years.

9. Fair value measurement of non-financial assets

(a) Fair value hierarchy

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2018.

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Property, plant and equipment $'000
Land and buildings	7	-	-	8,946	8,946
Ferries	7	-	-	87,529	87,529
Property, plant and equipment		**-**	**-**	**96,475**	**96,475**

30 June 2017

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Property, plant and equipment $'000
Land and buildings	7	-	-	9,345	9,345
Ferries	7	-	-	65,297	65,297
Property, plant and equipment		**-**	**-**	**74,642**	**74,642**

Recognition and measurement

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

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

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

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

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

Refer to Note 16 for further disclosures regarding fair value measurements of financial assets.

(b) Valuation processes

Sydney Ferries obtains independent valuations for its land and building assets at least every 3 years and for its other non-financial assets at least every 5 years.

Sydney Ferries engages external professionally qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of land and buildings was conducted by Rodney Hyman Asset Services Pty Ltd (RHAS) for 30 June 2017. A comprehensive valuation of ferries was conducted by RHAS at 30 June 2018.

(c) Valuation techniques and input

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

- current prices in an active market for assets of a similar nature or recent prices of similar assets in less active markets, adjusted to reflect those differences
- current replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits
- construction costs incurred by the entity
- indexation of rates used in previous valuation assessments, including review of the rates against current market conditions

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

The main level 2 and level 3 inputs used by the valuers for property, plant and equipment are as follows:

- Land – rate per square metre of land area is determined by the external valuer based on the most comparable land sales evidence applicable for each property, adjusted for the specific attributes of the subject land. The external valuer assumed a hypothetical 'R1 – General Residential' zoning for the subject landholding consistent with surrounding properties when making comparison to the sales evidence less an appropriate adjustment factor in the range of 80% - 90% to account for the unique and restrictive planning provisions associated with the subject site.
- Building – replacement cost of buildings and site improvements have been determined with reference to Rawlinsons Australian Construction Handbook and other industry cost publications. Depreciation rates adopted take into account both property specific (e.g. age, condition of improvements) and market specific (e.g. depth of buyer demand) factors based on an analysis of available sales evidence.
- Vessels – optimised replacement cost, including delivery and professional fees were estimated by RHAS valuers based on the advice of a locally-based, reputable and long-standing boat-builder, assuming the lowest cost of replacing the vessel with a vessel based on the above criteria. Costs incurred on major periodic maintenance are determined by management based on the applicable Australian Accounting Standards.

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

(d) Reconciliation of recurring Level 3 fair value measurements

	Land and buildings $ '000	Ferries $ '000	Total $ '000
Fair value at start of year	9,345	65,297	**74,642**
Additions	-	38,126	**38,126**
Revaluation increment/(decrement) recognised in net result	-	(5,056)	**(5,056)**
Depreciation	(399)	(10,838)	**(11,237)**
Fair value as at 30 June 2018	**8,946**	**87,529**	**96,475**
Fair value at start of year	7,800	51,100	**58,900**
Additions	-	22,300	**22,300**
Revaluation increment/(decrement) recognised in net result	1,034	-	**1,034**
Revaluation increment/(decrement) recognised in other comprehensive income	890	-	**890**
Depreciation	(379)	(8,103)	**(8,482)**
Fair value as at 30 June 2017	**9,345**	**65,297**	**74,642**

10. Payables

	2018 $'000	2017 $'000
Trade creditors	43	7
Accrued expenses	151	5,846
Other creditors	52	-
Current payables	**246**	**5,853**

Recognition and measurement

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

11. Other liabilities

	2018 $'000	2017 $'000
Liability for former employees' leave entitlements	3,127	3,476
Current other liabilities	**3,127**	**3,476**

Recognition and measurement

Other liabilities include amounts brought to account for the leave amounts owing to HCF for former Sydney Ferries employees, not including superannuation for leave taken in service.

Liabilities for leave that are expected to be settled wholly within 12 months of the reporting date are recognised and measured at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

12. Equity and reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of noncurrent assets. This accords with Sydney Ferries policy on the revaluation of property, plant and equipment as discussed in note 7. Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve).

(ii) Accumulated funds

The category “Accumulated funds” includes all current and prior period retained funds.

13. Commitments

	2018 $'000	2017 $'000
(a) Capital commitments		
Aggregate capital commitments for property, plant & equipment contracted for at reporting date and not provided for:		
Not later than one year	363	9,998
Later than one year	17	-
Total (including GST)	**380**	**9,998**
(b) Operating lease commitments		
Not later than one year	80	80
Later than one year	318	318
Later than five years	284	364
Total (including GST)	**682**	**762**
(c) Future non-cancellable operating lease rentals receivable		
Not later than one year	6,988	6,846
Later than one year	597	7,598
Total (including GST)	**7,585**	**14,444**

Operating lease commitments relate to maritime rent for the Balmain shipyard.

Net GST payable of $0.59 million (2017: $0.34 million) to the Australian Taxation Office is included above.

14. Contingent liabilities and contingent assets

Contingent liabilities represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is not remote.

Contractual and other claims against Sydney Ferries arise in the ordinary course of operations. The existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably. Sydney Ferries had no contingent liabilities as at 30 June 2018 and 30 June 2017.

15. Reconciliation of operating result to net cash from operating activities

(a) Reconciliation of operating result to net cash from operating activities

	2018 $'000	2017 $'000
Net cash inflows from operating activities	7,273	42,558
Depreciation and amortisation	(14,562)	(11,806)
Other non-cash items	5,196	4,993
Impairment reversals/(losses) on right to receive assets	(1,216)	(164)
Revaluation increment/(decrement) of assets	(5,056)	1,034
(Decrease)/increase in receivables	(1,621)	312
(Increase)/decrease in payables and provisions	(15)	(84)
(Increase)/decrease in other liabilities	349	863
Reconciliation to net result	**(9,652)**	**37,706**

(b) Non-cash financing and investing activities

	2018 $'000	2017 $'000
Major periodic maintenance work by HCF	5,196	4,993
Non-cash investing activities	**5,196**	**4,993**
Non-cash financing and investing activities	**5,196**	**4,993**

16. Financial instruments

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

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

Risk management policies are established to identify and analyse the risks faced by Sydney Ferries, to set risk limits and control and monitor risks. Compliance with policies is reviewed by Management on a continuous basis. There have been no changes to Sydney Ferries' exposure to credit, liquidity, market and interest rate risk or objectives, policies and processes for managing the risk and the methods used to measure the risks from the prior year.

(a) Financial instrument categories

	Note	Category	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Financial assets				
Class:				
Cash and cash equivalents	5	N/A	37,754	46,996
Receivables	6	Loans and receivables (at amortised cost)*	-	734
			37,754	**47,730**
Financial liabilities				
Class:				
Payables	10	Financial liabilities measured at amortised cost**	194	5,853
Other liabilities	11	Financial liabilities measured at amortised cost	3,127	3,476
			3,321	**9,329**

* Excludes statutory receivables and prepayments which are not within the scope of AASB 7.

**Excludes statutory payables and unearned revenue which are not within the scope of AASB 7.

Recognition and measurement

De-recognition of financial assets and financial liabilities

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire or if the agency transfers the financial asset:

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

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

A financial liability is de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

16. Financial instruments (cont'd)

(b) Credit risk

Credit risk arises when there is the possibility of Sydney Ferries' debtors defaulting on their contractual obligations, resulting in a financial loss to Sydney Ferries. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of Sydney Ferries, including cash and cash equivalents and receivables and authority deposits. No collateral is held by Sydney Ferries. Sydney Ferries has not granted any financial guarantees.

Credit risk associated with Sydney Ferries financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

(i) Cash

Cash comprises cash on hand and bank balances within the NSW Treasury banking systems. Interest is earned on daily bank balances at the current Reserve Bank of Australia official cash rate.

(ii) Receivables

At the end of the reporting period there were no significant concentrations of credit risk. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. Sydney Ferries' maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the statement of financial position.

	Government $'000	Other $'000	Total $'000
2018			
Receivables	-	-	-
Total receivables	**-**	**-**	**-**
2017			
Receivables	-	734	734
Total receivables	**-**	**734**	**734**

At 30 June 2018, Sydney Ferries had trade debtors of nil (2017: $0.557 million) that were neither past due nor impaired. There are no debtors whose terms have been re-negotiated.

(c) Liquidity risk

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

No assets have been pledged as collateral. Sydney Ferries' exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular 11/12 *Payments of Accounts*. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

16. Financial instruments (cont'd)

(c) Liquidity risk (cont'd)

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

(i) Maturity analysis and interest rate exposure of financial liabilities

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

			Interest rate exposure			Maturity dates		
	Weighted average effective int. rate (%)	**Nominal amount $ '000**	**Fixed interest rate $ '000**	**Variable interest rate $ '000**	**Non-interest bearing $ '000**	**< 1 year $ '000**	**1 - 5 years $ '000**	**> 5 years $ '000**
2018								
Trade creditors	-	43	-	-	43	43	-	-
Accrued expenses	-	151	-	-	151	151	-	-
Other liabilities	-	3,127	-	-	3,127	3,127	-	-
	-	**3,321**	**-**	**-**	**3,321**	**3,321**	**-**	**-**
2017								
Trade creditors	-	7	-	-	7	7	-	-
Accrued expenses	-	5,846	-	-	5,846	5,846	-	-
Other liabilities	-	3,476	-	-	3,476	3,476	-	-
	-	**9,329**	**-**	**-**	**9,329**	**9,329**	**-**	**-**

16. Financial instruments (cont'd)

(d) Fair value

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

(e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Sydney Ferries has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in the interest rate is outlined in the information below. A reasonably possible change in the interest rate has been determined after taking into account the economic environment in which Sydney Ferries operates and the time frame for the assessment (that is, until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the end of the reporting period. The analysis is performed on the same basis as for 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the value of the financial statements will fluctuate due to changes in market interest rates. Sydney Ferries exposure to interest rate risk is set out in the table below:

Sensitivity analysis

2018	**Carrying amount**	**-1%**		**+1%**	
		Net result	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	37,754	(378)	(378)	378	378

2017	**Carrying amount**	**-1%**		**+1%**	
		Net result	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash and cash equivalents	46,996	(470)	(470)	470	470

17. Related party disclosure

(a) Key management personnel compensation

The entity's key management personnel compensation are borne by Transport for NSW.

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

During the 2018 financial year, Sydney Ferries transacted with other entities consolidated as part of the NSW Total State Sector (ultimate parent) within the normal course of business:

- Payments (capital and operational expenditure) made to Transport for NSW
- Interest revenue earned from the Treasury Banking System
- Audit fee payments made to the Audit office of NSW

18. After balance date events

Transport for NSW has issued a competitive tender to operate Sydney Ferry's services in August 2018, and the successful operator is expected to be announced during the first quarter of 2019.

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

End of audited financial statements

INDEPENDENT AUDITOR'S REPORT

Sydney Ferries

To Members of the New South Wales Parliament

Opinion

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

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of Sydney Ferries in accordance with the requirements of the:

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

Somaiya Ahmed
Director, Financial Audit Services

24 September 2018
SYDNEY