

Sydney Metro

Annual Report



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Letter of submission

26 September 2019

The Hon. Andrew Constance MP
Minister for Transport and Roads

Parliament House
Macquarie Street, Sydney NSW 2000

Dear Minister,

I am pleased to submit for presentation to Parliament the Annual Report for Sydney Metro for the financial year ended 30 June 2019.

The Annual Report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984* and the *Public Finance and Audit Act 1983* and the regulations under those Acts.

The financial statements for 2018-19, which form part of the report, have been submitted to and certified by the Auditor-General of NSW.

Yours sincerely,

John Arthur
Chairman, Sydney Metro Board

John Barraclough
Director, Sydney Metro Board

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1. Foreword





1.1 Message from the Chairman and Chief Executive

On behalf of Sydney Metro, we are pleased to present the inaugural Annual Report for Sydney Metro – its first as a stand-alone NSW Government agency. It conveys Sydney Metro's key activities and achievements for the year and the benefits for our customers, communities and the state.

During 2018-19 Sydney Metro has:

- enacted the legislative and corporate change from being a delivery office within Transport for NSW, to being a separate NSW Government agency within the Transport cluster portfolio
- established the Sydney Metro Board and appointed the first Chief Executive
- commenced operations on Sydney's first metro, the Sydney Metro North West Line
- progressed significant procurement activities and awarded several major contracts on Sydney Metro City & Southwest
- progressed tunnelling activities on Sydney Metro City & Southwest, with four tunnel boring machines in the ground as of 30 June 2019
- developed early planning and design for Sydney Metro West
- developed Sydney Metro Greater West scope and project definition.

As Sydney Metro plays its critical role in supporting the NSW Government's *State Infrastructure Strategy*, *Future Transport 2056* and *A Metropolis of Three Cities*, we will continue dealing with the complexities and opportunities confronting us. These include:

- delivering customer-centric services for the people of NSW, helping relieve congestion and improving journey times and experiences for our customers
- delivering a technology-led step-change in customer experience
- being a commercially astute partner to industry during a record infrastructure boom
- being effective and successful placemakers, reflecting the character and needs of dozens of individual communities along the alignments in our precincts and places
- growing a public sector workforce with experienced, inclusive leaders
- effectively collaborating across government to deliver sustainable city-shaping outcomes.

We look forward to continue delivering immense public value for NSW.

John Arthur
Chairman, Sydney Metro Board

Dr Jon Lamonte
Chief Executive, Sydney Metro

2. Our business



2.1 Charter

Sydney Metro is a NSW Government agency constituted by the *Transport Administration Act 1988*. Sydney Metro has functioned under that Act since 1 July 2018. Before 1 July 2018, Sydney Metro was a delivery office within Transport for NSW.

The principal objectives of Sydney Metro under the Act are 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 infrastructure. The other objectives of Sydney Metro are:

(a) to be a successful business and, to that end:

- i) to operate at least as efficiently as any comparable business, and
- ii) to maximise the net worth of the State's investment in the metro

(b) to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates

(c) where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991*.

2.2 Aims and objectives

Sydney Metro is the NSW Government agency tasked with delivering the high-capacity, high frequency metro network across the Greater Sydney region. In that respect our aim is to plan, build, operate and optimise the Sydney Metro customer journey. We are an operating agency within the Transport cluster, contributing to an integrated public transport network serving a range of customers and communities.

We are here to deliver for our State – maximising the social, economic and environmental opportunities and benefits catalysed by safe, reliable, turn-up-and-go services, and the delivery of vibrant, attractive precincts around our stations.

Our mandate is to support the economic development of the State, working to deliver the NSW Government's vision of integrated, connected and liveable cities.

We commit to easy, safe and reliable turn-up-and-go services, active and attractive precincts and places, and delivering these customer-centric outcomes in a socially, financially and environmentally responsible way. We want to work together to grow the public value of the State's investment, for the benefit of all.

Our vision is to transform Sydney with a world-class metro.

Our mission is to deliver Sydney a connected metro service, providing more choice to customers, and opportunities for our communities – now, and in the future.

Our strategic objectives sharpen our focus as a successful and outcomes-oriented business. Our strategic objectives are:

- successful engagement
- meeting delivery commitments
- operational excellence
- financial responsibility
- workforce capability.

Our place in the Transport cluster

Sydney Metro operates within the general government sector, and is administratively arranged within the Transport cluster. The Transport cluster's principal agency is Transport for NSW.

We act in close partnership with our cluster colleagues, especially those within the Greater Sydney Division – we work with Transport for NSW and the other operating agencies to collectively deliver an easy-to-use, integrated

public transport service for NSW. Transport for NSW has accountability for cluster strategic planning, cluster policy development, overall transport service integration, and multi-modal coordination of network disruptions. Work started on some significant changes to Transport for NSW and the operating agencies as part of 'Evolving Transport'. From May 2019 Sydney Metro sat within the Greater Sydney Division of Transport for NSW. Figure 1 gives details of the operating model for Transport for NSW.

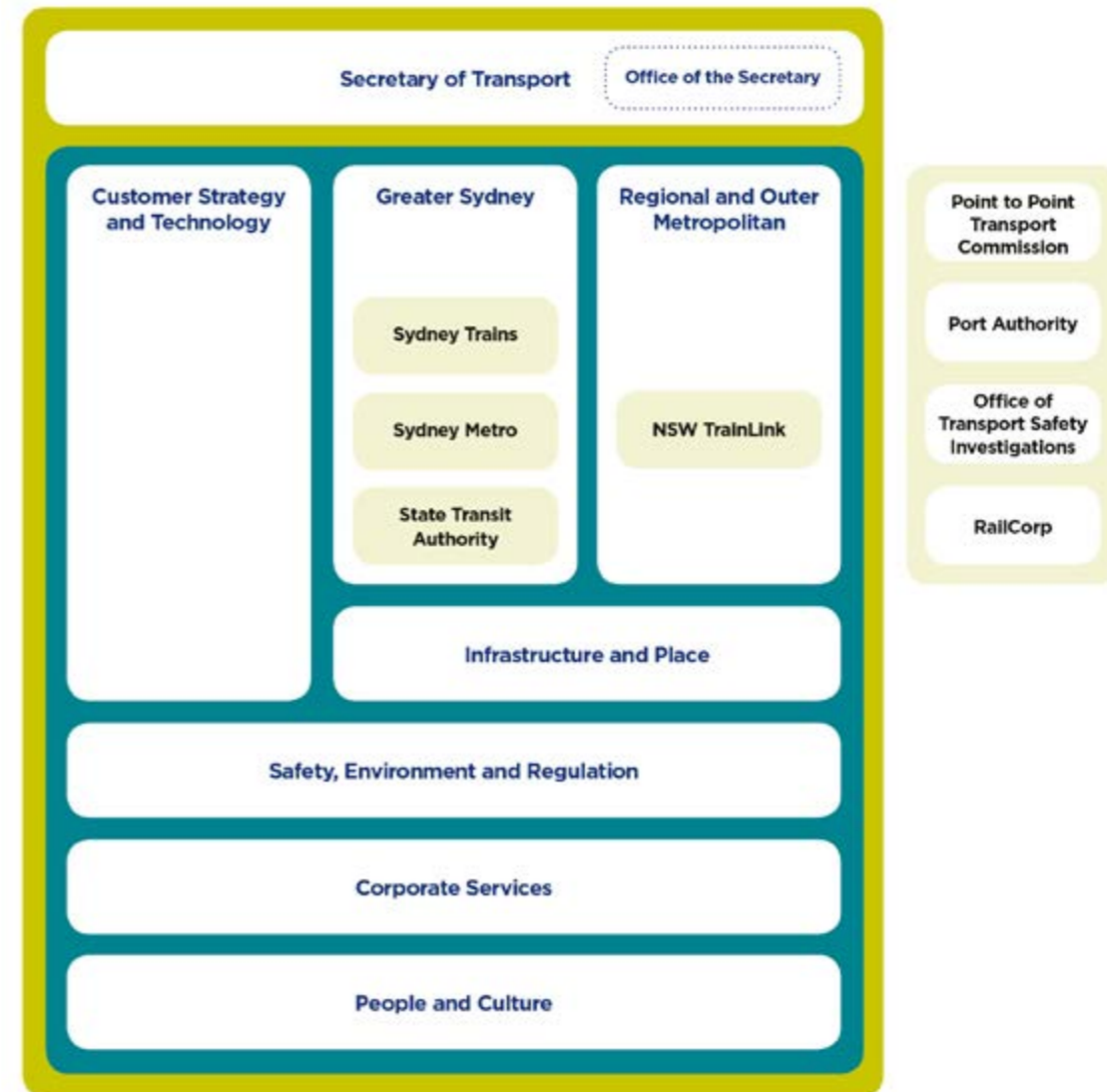


Figure 1: Transport for NSW's operating model as at 1 July 2019.

3. Our activities



Sydney Metro is Australia's biggest public transport project. It is Australia's first fully-automated, fully accessible railway, with lifts at all stations and level access between platforms and trains, and platform screen doors. The doors' glass barrier technology keeps people and objects like prams away from the tracks - which allow trains to arrive and depart from stations safely and quickly, reducing overall travel time for customers.

We have end-to-end accountability for delivering the metro service - from planning and construction, to operations, and integrating metro rail into the public transport network.

The Sydney Metro North West Line is the first stage of Sydney Metro. Opened in May 2019, the project delivered eight new railway stations and 4000 commuter car spaces to Sydney's growing north-west. It included construction of twin 15-kilometre tunnels from Bella Vista to Epping - Australia's longest rail tunnels. It also included construction of a four-kilometre skytrain viaduct and the conversion of the Epping to Chatswood rail link and its five suburban stations exclusively to the new system.

The Sydney Metro City & Southwest project will extend metro rail from the end of the Sydney Metro North West Line at Chatswood through to Bankstown, including a new crossing beneath Sydney Harbour, new railway stations in the lower North Shore and Sydney central business district (CBD), and the upgrade and conversion of the current line between Sydenham and Bankstown to metro standard.

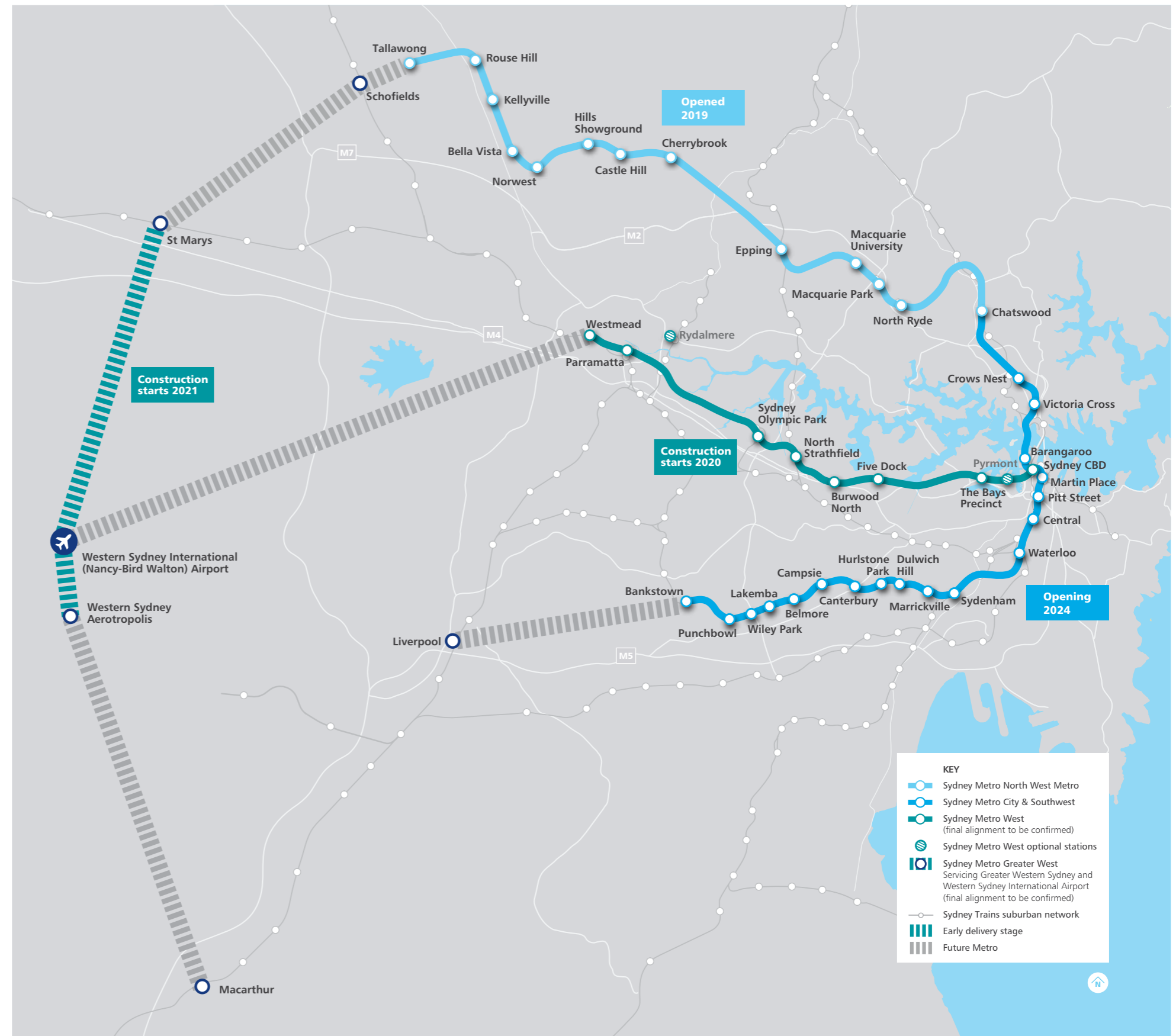
New metro stations will be delivered at Crows Nest, Victoria Cross (North Sydney), Barangaroo, Martin Place, Pitt Street, Central Station (new underground platforms) and Waterloo.

Sydney Metro City & Southwest is due to open in 2024, with seven new metro stations and 11 upgraded stations.

The Sydney Metro West project will deliver a direct connection between Greater Parramatta and Sydney, linking communities along the way that have never had rail before, and unlocking housing supply and employment growth between the two major CBDs.

As a new railway, Sydney Metro West will work together with the existing T1 Western Line, and support the Greater Sydney Commission's vision for better connections between these two major centres.

Sydney Metro Greater West is the new railway line which will service Greater Western Sydney and the new Western Sydney International (Nancy-Bird Walton) Airport.



Sydney Metro network, in operations, delivery and under early planning.

Previous page: Rouse Hill Station.

3.1 Meeting delivery commitments

We will deliver high quality metro infrastructure and places – safely, on time, and on budget.

We have been commissioned by the NSW Government to deliver an unprecedented infrastructure program with a long term investment pipeline. Safely achieving these commitments, on time and on budget is critical to demonstrating to the NSW Government and to the people of Sydney that we are a capable and efficient steward of this opportunity.

Sydney Metro North West Line

A key achievement for Sydney Metro in 2018-19 was the commencement of operations on the Sydney Metro North West Line – Australia's first metro train service.

Running between the new Tallawong Station at Rouse Hill and Chatswood, and serviced by eight new and five refurbished stations, the new 36-kilometre Sydney Metro North West Line provides commuters with a journey time of under 40 minutes across the full length. A total of 4000 new car parking spaces were also delivered as part of the project, with new community precincts being opened up to accommodate future population growth around the Sydney Metro North West transport hubs. More than 340 spaces for bikes, 16 new bus stops, 52 taxi spaces and provisions for more than 100 kiss and ride bays were also delivered.

The current Sydney Metro fleet of 22 driverless trains completed over 400,000 kilometres of testing before going into service, and represents Australia's first deployment of Grade of Automation Level 4 (GoA 4) train operations. This is the highest available level of unattended train operation where starting and stopping, operation of doors, and handling of emergencies are fully automated and can be operated without any on-train staff.

STATION LINK

Station Link bus services kept customers moving during the Epping to Chatswood Rail Line upgrade from 30 September 2018 up to the first metro service on 26 May 2019.

There were more than 4.6 million trips taken on the new, fully-accessible fleet of pink buses, with around 25,000 customer journeys on an average weekday.

Sydney Metro City & Southwest project

Key project progress was made during 2018-19. As of 30 June 2019:

- Four of the five tunnel boring machines are in operation, with over 13 cumulative kilometres of tunnelling completed.
- The precast tunnel segment manufacturing plant in Marrickville is in full-scale operation, with over 63 per cent of segments produced.
- Excavation works and construction of the stations is well underway, including at Central Station and Martin Place.
- Works have started at Sydenham Station and on the Bankstown Line.
- Demolition activities at the new CBD stations are nearing completion.

A number of the major contract packages were awarded in 2018-19 such as the contracts for Martin Place and Victoria Cross Integrated Station Developments, Line-wide Works and the Lifts and Escalators Framework. Procurement activities have indicated volatility in the current construction market.

Global Project of the Year Award

Sydney Metro's landmark new railway bridge over Windsor Road at Rouse Hill was awarded 2018 Global Project of the Year by international engineering organisation Engineering News-Record (ENR).

The 270-metre curved cable-stayed railway bridge, similar in design to Sydney's Anzac Bridge, is the first of its kind built in Australia.

The project was named ENR's 2018 Global Project of the Year as well as winning the Global Best Rail Project award for the railway sector. It was one of 23 projects from 14 countries to be selected by a judging panel of global engineering experts.

The judges said about the bridge and the four-kilometre elevated skytrain viaduct leading to it: 'An elegant and sustainable rail project utilizing innovative construction techniques was selected by the panel of judges and ENR editors as the Project of the Year.'



The Windsor Road railway bridge at Rouse Hill.

Tunnel boring machines

During the reporting year, four tunnel boring machines were launched to begin building the twin tunnels between Chatswood and Sydenham as part of Sydney Metro City & Southwest.

The tunnel boring machines are about 150 metres long, or longer than two Airbus A380s, and specially designed for Sydney's geology to cut through our hard sandstone.

Tunnel boring machines 'Nancy' and 'Mum Shirl' are tunnelling from Marrickville to excavate 8.1-kilometre tunnels which pass underneath the CBD and on to Barangaroo. Nancy is named in honour of transport pioneer Nancy-Bird Walton OBE. Mum Shirl was an Aboriginal woman who dedicated her life to her community, raising 60 foster children.

Tunnel boring machines 'Mabel' and 'Wendy' are tunnelling from Chatswood towards North Sydney to excavate 6.2-kilometre tunnels to the edge of Sydney Harbour at Blues Point. Mabel Newill was a matron at Royal Prince Alfred Hospital and an Australian war nurse in World War I. Wendy is named after Wendy Schreiber, a volunteer at Bear Cottage, the only children's hospice in NSW.

As of 30 June 2019, the tunnel boring machines have broken through at Waterloo in the south and Crows Nest in the north, and are making their way towards the Sydney CBD. Over 13 cumulative kilometres of tunnel have been excavated (out of the total 31 kilometres of tunnel along the City & Southwest route).

The fifth and final tunnel boring machine 'Kathleen' is named after Kathleen Butler, who played a vital role in the construction of the Sydney Harbour Bridge as the technical advisor to legendary engineer John JJC Bradfield. It is specially designed for the geological conditions under Sydney Harbour. It will be launched in July 2019 from Barangaroo, digging the first tunnel under Sydney Harbour to be constructed by a tunnel boring machine. Kathleen will tunnel under the harbour twice. After the first tunnel is constructed the cutter head and main section will be lifted out at Blues Point and barged back to Barangaroo to make the same journey for a second time. Sydney Metro is also barging spoil from Blues Point and Barangaroo to reduce the number of trucks on local roads.

As of 30 June 2019, a purpose-built precast facility at Marrickville has produced over 63 per cent of the 99,000 concrete segments to line the tunnels. Over 62,000 segments have been produced, and these contain around 248,000 tonnes of concrete. Six concrete segments make up one concrete tunnel ring for tunnel boring machines 1-4 and seven segments for tunnel boring machine 5. The segments are installed by the tunnel boring machines as they move forward. The tunnels will be lined with 16,451 concrete rings. During the full production phase of tunnelling, on average tunnel boring machines 1-4 progress at 190 metres per week, and tunnel boring machine 5 will progress at 45 metres per week. In total, they will excavate 5.9 million tonnes of rock.



Right: The cutter head of tunnel boring machine Nancy being prepared for tunnelling at Marrickville.

Sydney Metro West project

Sydney Metro West is a new underground metro railway line that will connect Greater Parramatta to the Sydney CBD through Olympic Park and The Bays Precinct. It will provide a fast, easy and reliable journey between the CBDs of Sydney and Parramatta, with a journey time of around 20 minutes.

Throughout 2018-19, early planning and design work was undertaken on the project with a focus on strategic partners and government agency engagement. To support ongoing project development, geotechnical and environmental investigations were undertaken across the project alignment at more than 25 locations. This included marine geotechnical work at Darling Harbour, Iron Cove and Johnstons Bay. Consultation was conducted with local communities to ensure they were informed of these activities.

Sydney Metro Greater West project

Greater West is Sydney Metro's newest project with a new metro line proposed to service Greater Western Sydney, connecting St Marys, the new Western Sydney International (Nancy-Bird Walton) Airport and the Western Sydney Aerotropolis. The project is key enabling infrastructure that will underpin development of the Greater Sydney Region's third city, the Western Parkland City. It will become the transport spine for the Western Parkland City's future growth.

This project is a joint Australian and NSW Government commitment as part of the Western Sydney City Deal, announced in March 2018. Both governments have a shared objective of connecting rail to the airport in time for its opening.



Metro rail will service the new Western Sydney International (Nancy-Bird Walton) Airport.

Independent project reviews

The following independent reviews were undertaken in 2018-19.

Independent project reviews, 2018-19

Project

Sydney Metro North West - Epping to Chatswood Shutdown
Sydney Metro North West
Sydney Metro North West - Readiness for Service
Sydney Metro City & Southwest - Pitt Street Integrated Station Development
Sydney Metro City & Southwest - Waterloo Integrated Station Development
Sydney Metro City & Southwest - Lifts and Escalators Framework
Sydney Metro City & Southwest - Victoria Cross Integrated Station Development
Sydney Metro City & Southwest - Trains, Systems, Operations and Maintenance
Sydney Metro City & Southwest - Line Wide Works
Sydney Metro City & Southwest
Sydney Metro West

Sustainability and environment

Sydney Metro is committed to undertaking our activities in a socially, financially and environmentally responsible way and we have achieved significant outcomes in 2018-19.

PROJECT PLANNING APPROVALS

In 2018-19 the following Sydney Metro state significant projects were approved under the *Environmental Planning and Assessment Act 1979*:

- State Significant Infrastructure – Sydenham to Bankstown
- State Significant Infrastructure – Chatswood to Sydenham Modifications
- State Significant Development (Stage 1) – Tallawong Station and Precinct
- State Significant Development (Stage 1) – Martin Place Station
- State Significant Development (Stage 1) – Victoria Cross
- State Significant Development (Stage 1) – Pitt Street Station.

SUSTAINABILITY

Sustainability performance on Sydney Metro projects is measured against targets set out in project sustainability strategies. Third party verification rating tools are also used to measure and monitor sustainability performance.

The Sydney Metro North West Line received an Infrastructure Sustainability Council of Australia's Infrastructure Sustainability design rating of 81, which is categorised as 'leading'. The operations, trains and systems received a Green Building Council of Australia's green star design rating of 4.5.

ENVIRONMENTAL MANAGEMENT

All works for Sydney Metro are carried out in accordance with the project's environmental requirements, as set out in the relevant Planning Approval and Environment Protection Licence.

Sydney Metro establishes the minimum acceptable environmental management standards for construction-related activities through our Construction Environmental Management Framework, which apply to all Principal Contractors who use this framework when developing Construction Environmental Management Plans and sub-plans.

For 2018-19, the non-compliance rate was 0.11 for every 100 requirements.

RESOURCE MANAGEMENT

Waste and spoil

In 2018-19, Sydney Metro achieved our target to beneficially re-use 100 per cent of all clean spoil (crushed rock) generated on projects. The table below provides a breakdown for the re-use of waste and spoil.

Re-use of waste and spoil, 2018-19

2018-19	Waste (construction and demolition) (tonnes)	Spoil (tonnes)
Generated	52,889	2,238,182
Recycled or reused	51,917	2,238,182
Percentage recycled or re-used	98%	100%

Water

Sydney Metro seeks to reduce water consumption, and encourages contractors to reduce water usage and use non-potable water (non-drinking water) sources for suitable construction and operational activities.

Water efficiency measures are incorporated into all designs, to ensure potable and non-potable water savings are realised. This includes connections to recycled water networks where available.

CONSTRUCTION TRANSPORT INITIATIVES

Barging of spoil

On Sydney Metro City & Southwest, barges have been used to remove spoil and machinery from Sydney Metro construction sites at Blues Point and Barangaroo, reducing impacts to the community and lowering truck movements on inner-Sydney and North Sydney roads by 40,000 truck-and-trailer movements. Temporary barging facilities have been established at both sites.

A temporary barging facility has also been developed on the Parramatta River at Clyde to receive the material. Crushed rock is transferred to trucks at the facility, and transported to other residential and commercial development projects across Greater Sydney, with 100 per cent of clean excavated material from the tunnels being re-used.

Truck marshalling

To reduce traffic queuing in the Sydney CBD, Sydney Metro and our contractors have developed a truck marshalling facility at White Bay. This facility enables trucks to be parked out of the CBD and called into the sites as required.

ABORIGINAL CULTURAL HERITAGE AND HISTORIC HERITAGE

As part of our planning approval documentation, Sydney Metro prepares Aboriginal Cultural Heritage Assessment reports (available on our website), which provide an assessment of likely archaeology and methodologies for consultation with the Aboriginal community, excavation, research and identification of final repositories.

It is anticipated that Sydney Metro West and Sydney Metro Greater West will have potential for Aboriginal archaeology and preparation for that has started. We are investigating the development of cultural design principles. For Sydney Metro West, consultation with the Aboriginal community began in 2018-19.

State significant cultural and historical finds were identified at Barangaroo, Blues Point and Central Station in 2018-19. These are described below.

Barangaroo: In 2018-19, during excavation of the new Barangaroo metro station, the remains of a 10-metre-long clinker-built boat was uncovered. The boat is the oldest known vessel of its type and of State and potential National Heritage significance. It was discovered between the remains of stone jetties dating from the 1830s and 1850s. The remains of the vessel are being managed by Sydney Metro and are being prepared for conservation and eventual display and interpretation. The NSW Heritage Division has been assisting Sydney Metro in an advisory capacity with management of the wreck.

Blues Point: Work on a tunnel boring machine retrieval site at Blues Point has revealed a glimpse of life in Sydney in the mid-1800s. Finds include the footings of a 19th century house on the shores of Sydney Harbour and artefacts from the 1850s-1900s. The 19th century house was built prior to 1857 and is associated with John Stevens, who acquired the site from the estate of Billy Blue, after whom Blues Point is named.

Central Station: Central Station was originally built on Sydney's oldest colonial burial ground, Devonshire Street Cemetery, also known as the Sandhills Cemetery. The NSW Government acquired the land for Central Station in 1901 and many of the graves were exhumed and re-interred at other cemeteries in the late 1800s. Works on Sydney Metro City & Southwest has discovered human remains, vault structures, grave cuts and grave plates. One grave cut identifies the interred as Joseph Thompson who died in 1858.

The works have also uncovered Aboriginal artefacts including tools and blades. Further research and reporting is expected to add greatly to our understanding of pre-contact Aboriginal life in this location.

3.2 Operational excellence

We will work with our partners to ensure that the metro, in operational service, achieves a world-class standard and meets customer aspirations as a mode of choice.

While engaging with our operating partners, we are guardians of the customer outcomes for the metro network, and strive to achieve a standard that meets customer aspirations.

To achieve our strategic objective of operational excellence we use real-time data, productive and inclusive collaboration and forward-looking management plans.

Sydney Metro North West Line

The Sydney Metro North West Line was largely delivered under a Public Private Partnership with Northwest Rapid Transit (NRT), executed in September 2014. Under those arrangements, responsibility for operating the Sydney Metro North West Line is contracted to Metro Trains Sydney (MTS), part of the NRT consortia, for 15 years with a monthly service payment provided by Sydney Metro, subject to meeting agreed performance and safety standards.

Day-to-day operations of the line are monitored by both MTS, through its Tallawong-based Operations Control Centre, and by Sydney Metro through monitoring systems located in our CBD office.

Sydney Metro North West Line services are coordinated with other parts of the Sydney transport network through interfaces with Transport for NSW's Transport Management Centre and Sydney Trains' Rail Operations Centre, servicing transport customers across Sydney supported by real-time data and systems.

Trains are stabled and maintained at NRT's Sydney Metro Train Facility adjacent to the Operations Control Centre at Tallawong.

The Northwest Operations Centre at the Sydney Metro CBD office monitors and provides surveillance of a number of key visual management activities including the operator's train location system, near real-time patronage data, and social media customer feeds and sentiment, whilst also having insight into other key connecting transport modes.

Precincts and places

Building new metro stations for Sydney provides the opportunity to create active precincts surrounding each station. This will help strengthen communities, attract visitors, workers and investment. Sydney's new metro stations will create focal points in the communities that they serve, with new places for people to live, work, shop and play, encouraging walking, cycling and social interaction.

TALLAWONG PRECINCT DEVELOPMENT

Sydney Metro, together with our Northwest development partner Landcom, obtained development approval in February 2019 for a major new mixed use precinct adjacent to Tallawong Station. The concept accommodates up to 1100 dwellings (including 5 per cent affordable rental housing), approximately 9000 square metres of retail, commercial and community uses, and a 3400 square metre village park.

TEMPORARY PUBLIC SPACES

As part of the placemaking and activation program, Sydney Metro and Landcom delivered a temporary public space adjacent to Tallawong Station as the first stage of the future Tallawong community. This temporary park, delivered in time for the opening of the Sydney Metro North West Line, can be used for open space, passive recreation, community uses, programmed events, and mobile food and beverage retailers. Once the precinct development at Tallawong is complete, the temporary park will be replaced by a permanent public plaza and park designed to cater for a range of recreational uses. The space will encourage walking and accessibility throughout the precinct, encouraging retail and hospitality options that will grow in the precinct.

VICTORIA CROSS

Victoria Cross Station will support the continued growth of North Sydney, through new employment and retail opportunities, and improved pedestrian connections and outdoor spaces. A new laneway from Miller Street to Denison Street will create a retail and hospitality hub, populated by office workers during the day and residents on evenings and weekends. Along Miller Street, the merging of public green space, a metro station entryway, and all-day retail, will create a positive customer experience.



Tallawong Station community engagement on Day 1 of services, 26 May 2019.

Operational energy efficiencies

Sydney Metro is committed to offsetting operational emissions from electricity used on the Sydney Metro North West Line. This is being achieved through a Green Products Purchase Agreement to procure large-scale generation certificates from a new build solar farm - Beryl Solar Farm, in regional NSW.

This 'synthetic' Power Purchase Agreement was the first for a public project in Australia. The agreement secures renewable energy certificates, which fully offset the greenhouse gas emissions from operation of the Sydney Metro North West Line, which equates to 45,000 cars off the road.

Beryl Solar Farm was completed in June 2019. It includes around 260,000 solar modules on a 145-hectare site outside Gulgong, and will produce enough solar energy to serve the needs of about 25,000 average NSW homes. Around 69 per cent of the project's output will be used to meet the operational electricity needs of the Sydney Metro North West Line.

There were also socio-economic benefits for the local community of Gulgong from the procurement of Beryl Solar Farm, with the creation of 150 local jobs during construction, as well as ongoing full-time positions.

Separately, a 3287-panel solar array covering two-thirds (more than 6500 square metres) of the maintenance building roof at the Sydney Metro Trains Facility at Tallawong will generate about 1.5 million kilowatt hours of electricity per year, enough to power around 270 average homes for a year. It is the biggest solar array on any NSW Government building, with generated electricity being used to power the maintenance facility where metro trains are serviced, as well as powering a portion of the Sydney Metro North West stations.

During construction activities, Sydney Metro projects are required to offset 20 per cent of carbon emissions produced by construction electricity. This was achieved on Sydney Metro North West and Sydney Metro City & Southwest project activities in 2018-19.



Installation work at the Beryl Solar Farm in regional NSW.



Beryl Solar Farm.

Opening of Sydney Metro North West Line

Opened by the NSW Premier and Minister for Transport and Roads on Sunday 26 May 2019, more than 140,000 customers undertook a metro journey on the opening day. There were more than 150 staff working in the field across the Sydney Metro North West Line, at stations, roads and bus stops to help customers get around the network.

More than 22,000 people worked on the Sydney Metro North West Line since 2011.

Before commencement of operations, a number of crisis management drills were undertaken, including with emergency services, NSW Police, and Fire and Rescue NSW. Major test scenarios were conducted in November 2018, and February and April 2019, and included exercises involving mock train derailments, full scale emergency evacuations and trains stuck on the viaduct.

Sydney Metro reached 1 million customers on 8 June 2019 (day 14 of operations) and 2.1 million customers by 30 June 2019.



Officially opening the Sydney Metro North West Line, Minister for Transport and Roads Andrew Constance and Premier Gladys Berejiklian. 26 May 2019.



Right: First passenger services on 26 May 2019.

3.3 Successful engagement

We will collaborate with our communities and our partners to drive sustainable, city-shaping transformation.

We are committed to establishing robust relationships with our customers, stakeholders and the community. This is underpinned by the belief that effective communication is a crucial element in the successful delivery and operation of all our projects.

Successful engagement is essential in genuinely delivering with the customer at the centre, and in activating precincts and places which are attractive hubs within their local communities.

Our approach to communication and engagement is to:

- deliver a transport service that has been informed by engagement with stakeholders and the community
- build key stakeholder, community and general public confidence in our projects
- manage risks associated with stakeholder and community issues.

Our aim is to:

- address concerns about individual project impacts from directly affected stakeholders
- provide adequate and coordinated stakeholder and community consultation that identifies and addresses issues in a timely manner
- provide consistency across our external communication activities and interfaces with stakeholders during delivery of all Sydney Metro projects.

Sydney Metro is committed to proactively engaging with the wider community through a range of mediums including community events, social media and education programs. We also engage with local communities impacted by our projects, such as at our Community Information Centre at Campsie on the City & Southwest project alignment.

Social media is one of the most effective and influential communication tools we use to engage with our customers. In 2018-19, our reach on Facebook averaged more than 650,000 people per month with a total reach of almost 8 million people for the year. Facebook 'likes' grew by 27 per cent over the year, to a total follower group of 43,835. This growth allowed us to reach a wider audience and to engage in conversations with the online community. As at June 2019, video content on Sydney Metro's Facebook page has been viewed more than six million times since the page was established in 2013.

The opening of Sydney Metro North West Line gained significant media attention. Overall, there were 13,220 mentions of Sydney Metro in the media in 2018-19.

Customer and community engagement

Sydney Metro takes customer and community feedback seriously and continually looks for opportunities to incorporate suggestions and ideas for improvement.

In 2018-19 Sydney Metro received 1195 complaints. The most common issues were noise, vibration and dust; operational issues; property impacts and access; and transport, traffic and pedestrian impacts. Complaints are investigated and responded to in a timely manner, generally within three days.

Community engagement plays an important role in development of our projects, and in 2018-19 feedback as a result of engagement associated with statutory planning approvals resulted in improved community outcomes.

Government and industry engagement

Sydney Metro works closely with stakeholders across the NSW and Australian Governments to develop and deliver our program of work. We aim to develop long-term relationships with a variety of partner agencies in the Transport cluster and others that have an interest in the delivery and benefits of Sydney Metro.

During 2018-19, key activities undertaken by Sydney Metro with government agency partners included a significant cross-cluster collaborative effort to bring the Sydney Metro North West Line into service. Sydney Metro also undertook ongoing joint development work with Transport for NSW divisions and other agencies including the Greater Sydney Commission and the now Department of Planning, Industry and Environment on the scope, design and delivery planning for future metro projects. Sydney Metro establishes cross-government steering committees and other groups as required to ensure project development takes account of partner agencies requirements, and benefits from their input.

The Sydney Metro Greater West project is being developed by Sydney Metro in partnership with the Australian Government Department of Infrastructure, Transport, Cities and Regional Development, and in collaboration with other Australian Government and NSW government agencies (including Transport for NSW), and local government.

We recognise the pivotal role played by industry in delivering the metro program of work, and maintain an extensive program of industry engagement activities to provide industry participants with information on the Sydney Metro projects, and to gain industry input on project scope, timing and contracting arrangements. In 2018-19 the industry engagement program included a briefing attended by over 550 participants, as well as market sounding meetings and other activities for the Sydney Metro West and Sydney Metro Greater West projects.



Wonder Day at Chullora Public School as part of the FastTracking the Future education program.



Education

As Australia's biggest public transport project, Sydney Metro provides primary and secondary school students with a unique case study on how a 21st century rail system is planned, designed and built.

FASTTRACKING THE FUTURE

FastTracking the Future is an education program that focuses on providing learning experiences for students about Sydney Metro's projects - their purpose, construction and environmental and social context.

Curriculum resources for primary and secondary students have been developed by Sydney Metro in consultation with practising teachers, curriculum specialists and independent reviewers who advised on the design and development.

In addition to more than 130 ready-to-teach syllabus based lessons for K-10, Sydney Metro's FastTracking the Future program includes school presentations, excursions and a school holiday program.

The FastTracking the Future school education program and school holiday program was launched in January 2019 for Sydney Metro City & Southwest. The program was first introduced for Sydney Metro North West in 2014.

METRO MINDS STEAM CHALLENGE

Building on the success of the FastTracking the Future project, Sydney Metro is also supporting schools through the Metro Minds STEAM Challenge. The Metro Minds STEAM Challenge is a NSW Education Authority curriculum-linked, project-based learning experience. It is relevant across multiple curriculum areas (including Science, Technology, Engineering, Arts and Mathematics) and supports 21st century learning. It is for students in Years 9 and 10 and provides the opportunity for students to create, innovate and solve problems and present them to Sydney Metro.

The second Metro Minds competition was launched in 2019 with 10 schools participating, including 33 teams and 270 students.

INQUIRY-BASED LEARNING PROFESSIONAL DEVELOPMENT PROGRAM

Throughout 2018-19, a professional development program was developed in collaboration with Western Sydney University for teachers in schools near Sydney Metro City & Southwest.

The program was created, trialled and peer reviewed as part of a professional development program in inquiry-based learning for primary and secondary school teachers. The professional development courses were part of a pilot partnership between Sydney Metro and Western Sydney University. Facilitated by Western Sydney University's Education Knowledge Network, the professional development program aimed to develop teacher expertise in inquiry-based learning using a real-life example of a major infrastructure project in delivery stage.

As a result of this program, 34 teachers from nine schools undertook the program and more than 900 students have benefitted from their lessons. This is the first professional development course developed by an infrastructure project that has been facilitated by Western Sydney University. The teaching resources created about Sydney Metro will be available to all NSW teachers via the NSW Department of Education, and on the Sydney Metro website.

3.4 Financial responsibility

Our financial and commercial focus will drive value for money outcomes, and overall business success.

Sydney Metro provides stewardship of a \$20+ billion capital investment program, and is the counterparty to a multi-billion dollar Public Private Partnership for operations. As a newly-established enduring organisation, Sydney Metro has a strong focus on financial responsibility and on operating as a successful business.

In 2018-19, Sydney Metro's activities to support the strategic objective of financial responsibility have included continuing to work in partnership with Transport for NSW, NSW Treasury and Infrastructure NSW to manage closely the project capital budgets.

Building on the work undertaken to establish the agency, in 2018-19 Sydney Metro commenced a whole-of-organisation program, aligned to our strategic objectives, to review organisational structure, systems and governance. The aim is to implement an agile and sustainable organisational structure which best supports cross-business efficiency, and Sydney Metro's long-term functional requirements, ensuring the organisation remains fit for purpose over the long term. During 2018-19 Sydney Metro developed and implemented a new governance framework and completed the design of a new organisational structure which delivers efficiency improvements, and implemented the new structure to the first three levels below the Sydney Metro Board.



Right: Passenger services on the skytrain at Kellyville.

3.5 Workforce capability

We will attract a talented, diverse and innovative workforce, and highly capable delivery partners.

We are focussed on how we can best empower and support our team members, attract capable delivery partners and contribute to growing broader industry capacity.

By virtue of our financial and geographic scale, we have available a number of unique mechanisms to develop and promote greater workforce capability through contractual mechanisms, consultative advisory groups with construction leaders, and a corporate profile which inspires future talent and facilitates technical development.

We are committed to supporting a diverse and inclusive workforce, and improving employment outcomes, retention rates, development opportunities and career progression for our employees. We are focussed on increasing the number of women in leadership roles, and increasing the Aboriginal and Torres Strait Islander representation in our workforce. We are striving for equal representation for men and women in senior leadership roles.

Workforce development

Sydney Metro has a Workforce Development and Industry Participation Plan and Aboriginal Participation Plan which both outline how Sydney Metro's projects build a pipeline of resources to design, construct and operate the railway, and address challenges relating to skills, employment and diversity across the supply chain.

The Sydney Metro City & Southwest project is a demonstration pilot project for the NSW Infrastructure Skills Legacy Program. Across the City & Southwest project, 44 per cent of the workforce has participated in accredited skills development, and 224 apprentices and trainees have worked on the project. Sydney Metro's pre-employment program achieved 98 per cent successful completions with 44 participants being employed on Sydney Metro. Overall 43 participants have continued onto an apprenticeship or trainee pathway.

Workforce diversity

Sydney Metro strives to create a workforce which reflects the diversity of the NSW population. We recognise the benefits of how a diverse workforce strengthens an organisation through a broad range of skills and experiences that enable innovative opportunities.

Information about Sydney Metro's workforce diversity is reported in accordance with the NSW Public Service Commission's reporting requirements.

Workforce diversity, 2018-19

Workforce Diversity Group	Benchmark	2017	2018	2019
Women	50%	N/A	N/A	44.2%
Aboriginal and/or Torres Strait Islander People	3.3%	N/A	N/A	0.6%
People whose First Language Spoken as a Child was not English	23.2%	N/A	N/A	7.1%
People with Disability	5.6%	N/A	N/A	0.6%
People with Disability Requiring Work-Related Adjustment	N/A	N/A	N/A	0.0%

Note 1: The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 2: The NSW Public Sector Aboriginal Employment Strategy 2014-17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.

Note 3: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

Note 4: In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information can be found at: Jobs for People with Disability: A plan for the NSW public sector. The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.

In 2018-19, Sydney Metro launched the 'we.SydneyMetro' program which works to break down conscious and unconscious biases by providing practical tools and support mechanisms for our workforce as well as build more inclusive teams. The program is focussed on:

- women in leadership roles
- greater Aboriginal participation
- LGBTI (lesbian, gay, bisexual, transgender, and intersex) inclusion
- flexibility in the workplace
- disability inclusiveness.

Work Health and Safety

HEALTH AND SAFETY PERFORMANCE

Summary of health and safety performance for Sydney Metro, 2018-19

Measure	Count
Number of events reported	14
Lost time Injuries due to workplace-related injury or illness	0
Prosecutions reported	0

Summary of health and safety performance for Sydney Metro's principal contractors, 2018-19

Measure	Count
Number of Significant Incidents reported*	193
Lost time Injuries due to workplace-related injury or illness	13
Prosecutions reported	0

*Note: Number includes events resulting in actual significant consequence as well as incidents with potential for Significant Incidents.

The health and safety performance of Sydney Metro and our delivery partners was monitored through 2018-19 by the Sydney Metro Board. The Board is briefed on health and safety performance and also receives more detailed reviews of topics including Sydney Metro's incident reporting and crisis management arrangements.

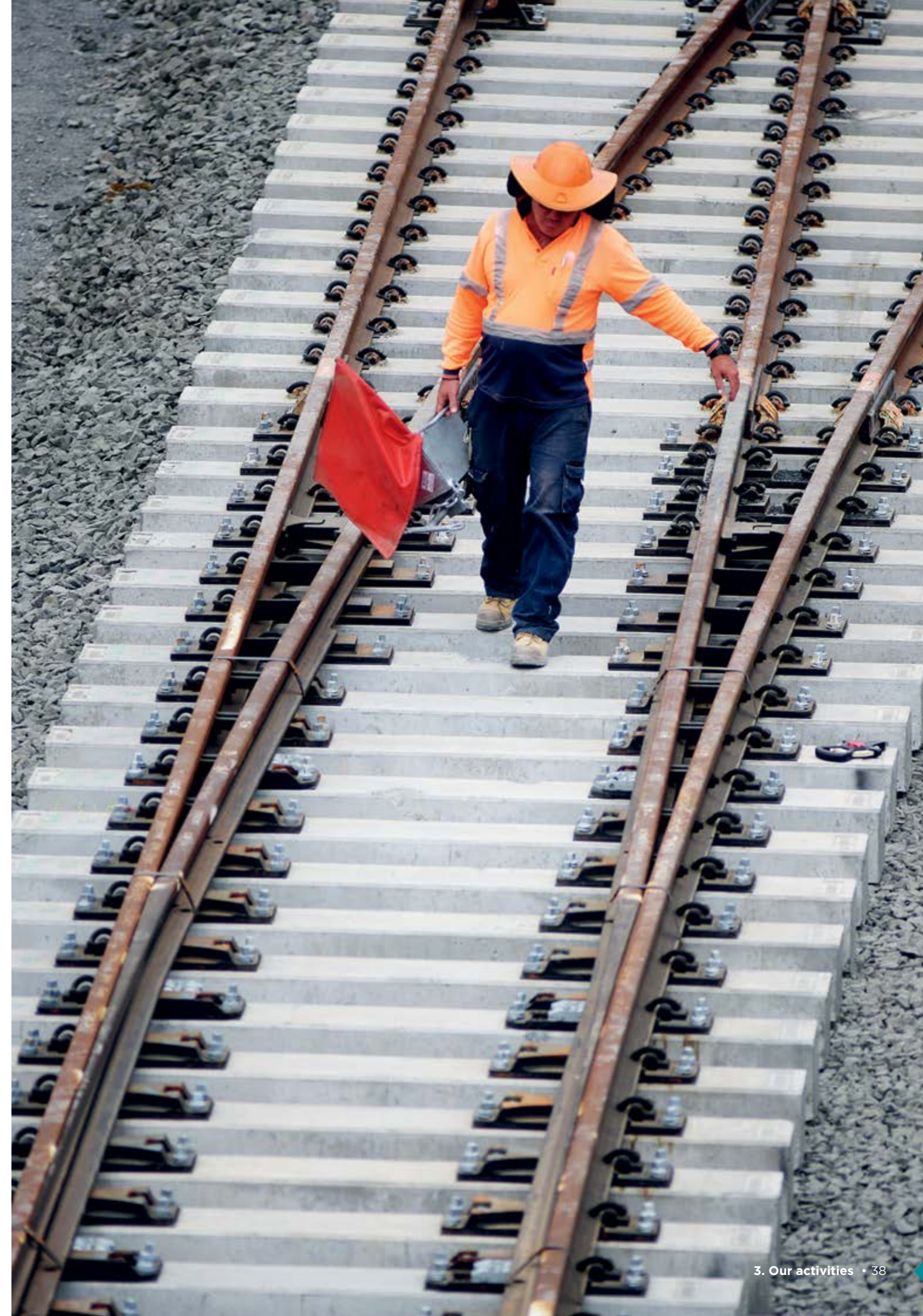
INITIATIVES

During 2018-19, Sydney Metro initiated a program focussed on mental health for workers including 'Mental health first aid' and 'Mental health awareness training'. These initiatives, along with a partnership with 'Mates in construction', are targeted at removing the stigma of mental illness and raising awareness of how co-workers and managers can support their own mental health and that of others in the workplace.

In 2018-19, Sydney Metro undertook a review of the health and safety requirements for principal contractors, captured within the Sydney Metro Principal Contractor Health and Safety Standard. The review of this standard was focussed on improving the standards and particularly on making the requirements easier to apply across Sydney Metro's program of work.

FURTHER IMPROVEMENTS TO HEALTH AND SAFETY PERFORMANCE

During 2018-19, Sydney Metro began work on a new Health and Safety Model and Proposition for Industry to support future health and safety initiatives. The model will be supported by a Health and Safety Policy and Health and Safety Governance Framework.



Red flags mark out safe working areas at the Sydney Metro Trains Facility once tracks are laid and before trains start operating.

4. Reporting and disclosure



4.1 Management

Sydney Metro Board

Sydney Metro is governed by a decision making Board. The Board governs Sydney Metro by setting its strategic direction, making key decisions, and appointing a Chief Executive to be responsible for the day-to-day management of Sydney Metro, and by providing direction, advice, guidance and support to the Chief Executive. The Minister and the Secretary of Transport for NSW have rights to direct Sydney Metro; and to the extent of any inconsistency, any such direction prevails over a policy or direction of the Board.

The Sydney Metro Board is established in accordance with section 38F and Schedule 2B of the *Transport Administration Act 1988* (TAA).

The Board must have a minimum of three and may have a maximum of eight directors, consisting of at least three and not more than seven directors appointed by the Minister; and one additional director that may be appointed by the Transport Secretary. One of the Minister's appointees is to be specifically appointed by the Minister as the Board's Chairperson.

BOARD DIRECTORS APPOINTED, 2018-19

Dr Kerry Schott AO, Chair Term: 1 July 2018 – 30 June 2019

Kerry Schott's career spans the public and private sectors with a strong emphasis on infrastructure provision and private financing. She was Managing Director and Chief Executive Officer (CEO) of Sydney Water from 2006 to 2011; and a Deputy Secretary of NSW Treasury for three years before that. Dr Schott spent 15 years as an investment banker, including as Managing Director of Deutsche Bank and Executive Vice President of Bankers Trust Australia. Prior to becoming an investment banker, she was a public servant and an academic. She is also the Chair of the Energy Security Board and the Moorebank Intermodal Company, and was previously Chair of the Sydney Metro Assurance Board.

Dr Schott holds a doctorate from Oxford University, a Masters of Arts from the University of British Columbia, Vancouver and a Bachelor of Arts from the University of New England. She was awarded an Order of Australia and Honorary Doctorates from the University of Sydney, University of New England and the University of Western Sydney.

John Barraclough, Director Term: 1 July 2018 – 30 June 2019

John Barraclough has decades of public and private sector experience at a senior executive level in major infrastructure delivery, including transport infrastructure. He is a member of the Major Transport Infrastructure Board Victoria and a member of the NSW Health Infrastructure Board, and was a member of the Sydney Metro Assurance Board.

Neil Bird AM, Director Term: 1 July 2018 – 30 June 2019

Neil Bird brought to the Board his career-long experience in the property industry and involvement in many significant urban developments. He has been on the Board of a number of private and public companies including Urban Pacific, Landcom, and the Hunter Development Corporation. Mr Bird has also been a member of industry bodies such as the Urban Development Institute of Australia. He was a member of the Sydney Metro Assurance Board.

Erin Flaherty Term: 1 July 2018 – 31 December 2018

Erin Flaherty has over 30 years of experience in both private and Government sectors. She was involved with Reliance Rail as the Commercial Manager before taking on the role of Executive Director of Infrastructure NSW in 2012. In 2016, Ms Flaherty was appointed by the Commonwealth Minister for Finance as a Guardian of Board of the Future Fund, Australia's sovereign wealth fund. Ms Flaherty is also a board member of the Australian Youth Orchestra and she is the National Chair of the Professional Scholarship Selection Committee for the Australian American Fulbright Commission and was a member of the Sydney Metro Assurance Board.

John Arthur, Director Term: 1 January 2019 – 31 December 2023

John Arthur is a highly experienced executive, director and advisor across a broad range of industries, including experience as CEO of Investa Property Group, Chief Operating Officer of Westpac, General Counsel of listed entities in two industries, Chairman of the legal firm Gilbert + Tobin, adviser on governance and probity issues, and legal and commercial adviser to CEOs, Chairmen, executive teams and boards. John Arthur became Chair on 1 July 2019.

Thao Oakey, Director Term: 1 January 2019 – 31 December 2023

Thao Oakey has over 20 years of experience in major infrastructure financing, development and operations, with over 10 years in investment banking prior to undertaking senior executive roles at Leighton Contractors (as General Manager, Infrastructure Investments) and Sydney Motorway Corporation (as Chief Investment Officer). Ms Oakey has an in-depth understanding of project and structured finance, mergers and acquisitions, project risk allocation and risk management. Ms Oakey's prior board experience includes Westlink M7, SA Health Partnership, Copperstring, WCX M4 and Wellington Gateway Partnership.

Louise Thurgood, Director Term: 1 January 2019 – 31 December 2022

Louise Thurgood has 25 years of experience in the banking, finance, and infrastructure sectors with extensive risk-management experience extending across a wide range of industries including infrastructure, agriculture, construction, renewable energy, mining and consumables. Ms Thurgood is currently the Chair of Hanrob, a member of the National Standing Committee on the Environment and Energy, and the Advisory Board of Ultimate Soccer, along with being a director of Orion Mechanical Services. Past roles have included Moorebank Intermodal Company, Clearview Life Nominees and Chair of several NFP Boards.

SYDNEY METRO BOARD DIRECTORS MEETINGS, 2018-19

Each Director attended the following meetings of the Board and its Committees.

Board and Committee Meeting attendance, 2018-19

Director	Board		Audit and Risk Committee	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Dr Kerry Schott AO	18	17	-	-
Mr Neil Bird AM	18	18	-	-
Mr John Barraclough	18	17	-	-
Ms Erin Flaherty	10	8	-	-
Ms Louise Thurgood	7	6	1	1
Mr John Arthur	7	6	1	1
Ms Thao Oakey	7	7	1	1

DIRECTORS APPOINTED

Directors appointed, 2018-19

Member	Term of appointment
Dr Kerry Schott AO - Chair	1 July 2018 - 30 June 2019
Mr Neil Bird AM	1 July 2018 - 30 June 2019
Mr John Barraclough	1 July 2018 - 30 June 2019
Ms Erin Flaherty	1 July 2018 - 31 December 2018
Ms Louise Thurgood	1 January 2019 - 31 December 2022
Mr John Arthur	1 January 2019 - 31 December 2023
Ms Thao Oakey	1 January 2019 - 31 December 2023

Sydney Metro Executive management

Executives, 2018-19

Name	Position	Qualification
Jon Lamonte	Chief Executive (from 28 November 2018)	Bachelor of Science, Maths and Geology Master of Arts, Defence Studies Doctor of Philosophy, Modern History
Catrina Cresswell	General Counsel	Bachelor of Arts Bachelor of Laws (LLB)
Tom Gellibrand	Acting Chief Executive (to 27 November 2018) Deputy Chief Executive (to 3 May 2019)	Bachelor of Applied Science (Applied Geography) Graduate Diploma, Public Administration Master of Town and Country Planning
Ivan Glavinic	Acting Deputy Chief Executive (from 4 May 2019)	Bachelor of Science, Human and Economic Geography Master of Urban and Regional Planning (Hons)
Johanna Hall	Acting Executive Director, Corporate Services	Bachelor Applied Science, Speech Pathology Graduate Certificate Human Resource Management: Training and Development Graduate Certificate Applied Science: Psychology of Coaching
Gillian Higginson	Acting Chief of Staff	Bachelor of Arts (Hons) Doctor of Philosophy, English
Tim Parker	Executive Director, Projects	Bachelor of Science (Hons), Environmental Engineering

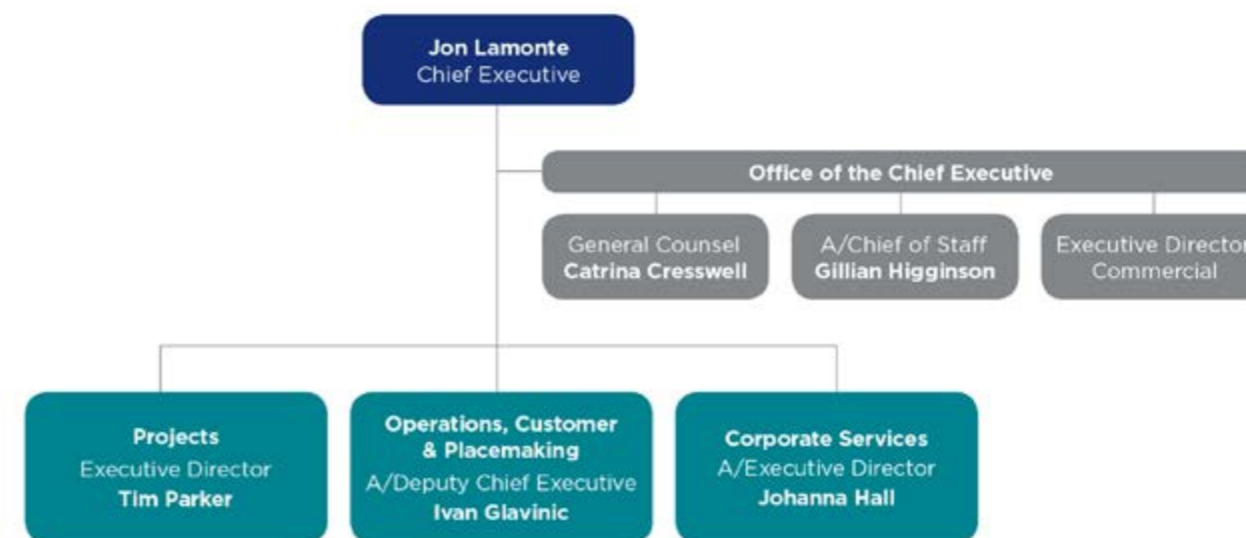


Figure 2: Sydney Metro Executive structure

Risk management and insurance

RISK MANAGEMENT

Risk management at Sydney Metro is a significant part of organisational governance. It drives business performance and delivery of project objectives safely and successfully. We are committed to continual improvement in risk management, and to build a risk-aware culture to support our projects and operational success.

Our Risk Management Framework complies with the requirements set out in the NSW Treasury Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 15-03), and conforms to the Australian and New Zealand Standard for Risk Management (AS/NZS ISO 31000).

Risk management is embedded in business planning, project development and management processes. Sydney Metro applies an enterprise-wide structured and accountable approach to ensure risks are proactively identified and appropriately mitigated. Risks and mitigations are regularly reviewed and reported to the Sydney Metro Board.

Sydney Metro's risk management is subject to oversight by an Audit and Risk Committee chaired by an independent non-executive Chair.

INSURANCE

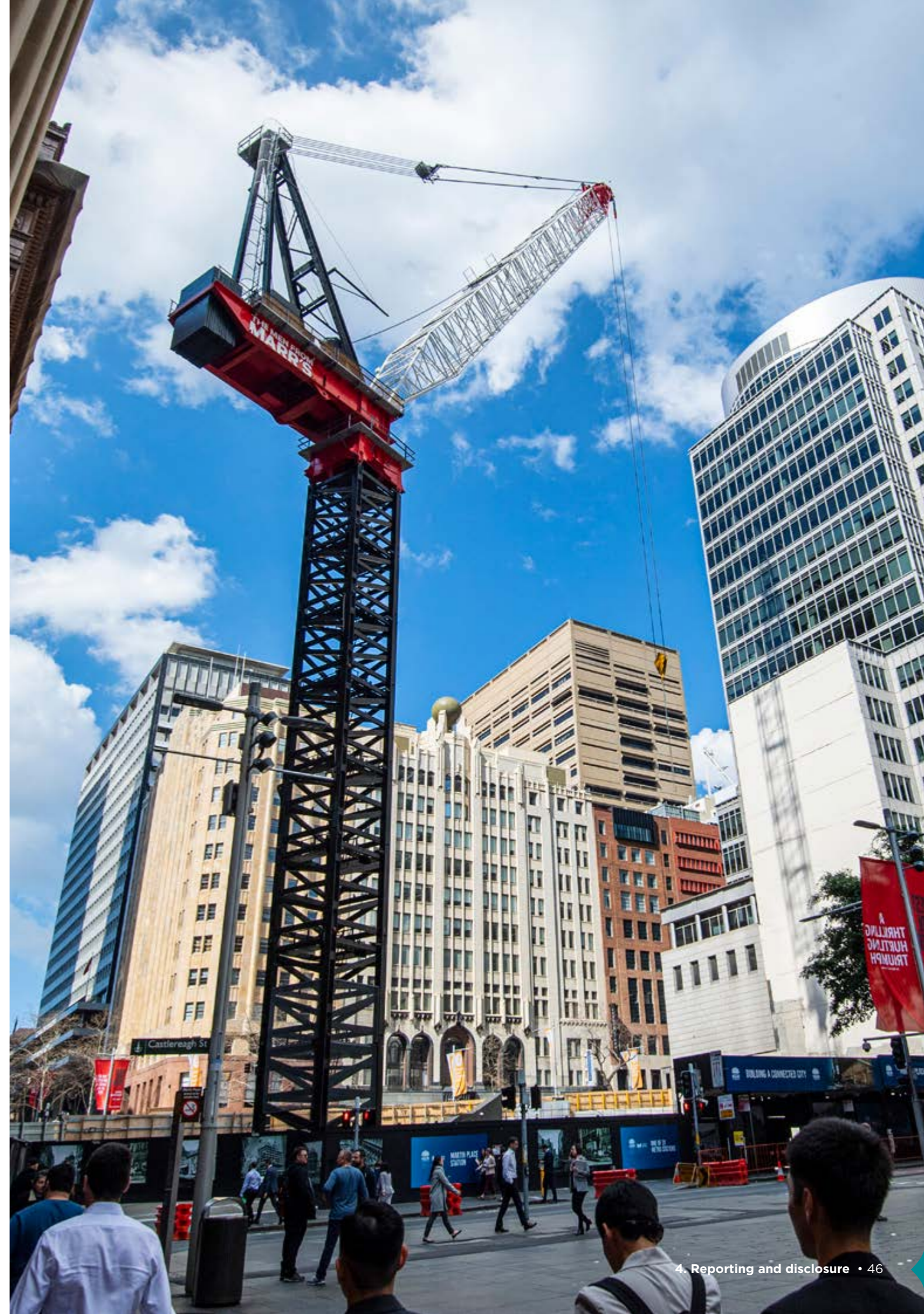
Sydney Metro procures delivery insurances for our projects from the commercial insurance market. This includes the following insurances:

- contract works: physical loss or damage to the works
- delay in start-up: loss of revenue (service payments payable to NRT) following a delay to completion arising from insurable damage
- public liability: legal liability to third parties for personal injury or property damage arising out of the works.

Operations Phase insurances are procured by NRT. These insurances include property damage, public liability, and professional indemnity insurance, which cover Sydney Metro for our insurable interests where applicable.

Notifications of claims made by contractors and operators are accepted by insurers as a notification by Sydney Metro. Contractors and operators deal directly with insurers and loss adjusters and are required to keep Sydney Metro informed of all developments.

Sydney Metro also uses the NSW Treasury Managed Fund for our direct insurance requirements (non-project related insurances) including property damage, workers' compensation, public liability and miscellaneous items. In 2018-19 there were no material claims made against any of these insurance categories under the NSW Treasury Managed Fund.



Right: Construction at Martin Place.

4.2 Human resources

Sydney Metro employees are employed in the Sydney Metro Group of the Transport Service of NSW under the delegated authority of the Secretary.

The Sydney Metro headcount is 253 staff, which includes a full time equivalent (FTE) of 248. The Sydney Metro workforce (excluding contractors / labour hire, Transport Service Senior Executives and the Sydney Metro Board) includes the following comparison with the previous two years.

Sydney Metro workforce, comparison over three years since 2017

Year	Salaried employees (Grade 1-9)		Transport Service Senior Managers		Total FTE
	Male	Female	Male	Female	
As at 30 June 2019	74	93	52	34	248.4
As at 30 June 2018	56	80	40	21	192.5
As at 30 June 2017	34	54	30	17	132

Exceptional movements in wages, salaries or allowances

In 2018-19, salaries, wages and allowances for Sydney Metro staff moved in accordance with the Government Wages Policy.

The Transport for NSW Salaries and Conditions of Employment Award 2017 (the Award) continued to apply to non-executive employees who were transferred to the Sydney Metro Group on 1 July 2018 or employed thereafter. The Award provides for an annual wage increase of 2.5 per cent from the first pay period commencing on or after 1 July 2018. As such, these employees received an annual increase of 2.5 per cent from the first pay period commencing after 1 July 2018. A 2.5 per cent increase to the remuneration of Transport Service Senior Managers and Executives was applied following 1 July 2018 in accordance with the Statutory and Other Officers Remuneration Tribunal (SOORT) 2018 Annual Determination.

Personnel policies and practices

From 1 July 2018, Transport for NSW personnel policies, procedures and associated documentation applied to all employees (executive and non-executive) in the Sydney Metro Group.

These policies and procedures continue to apply until a time when they are amended or replaced.

The Sydney Metro Board has adopted Transport for NSW's Human Resources policies as a result of the commencement of the Sydney Metro stand-alone NSW Government agency on 1 July 2018. Sydney Metro has collaborated with Transport for NSW throughout the year on cluster-wide policies.

Industrial relations policies and practices

Formal consultation with the unions takes place through a quarterly Joint Consultative Committee which has had a recent focus on the evolving structural reforms of Sydney Metro.

Informal consultation with our employees and their unions features regular two-way communication.

Disability Inclusion Action Plan 2018-2022

Sydney Metro acknowledges the overarching role of the Transport for NSW Disability Inclusion Action Plan 2018-2022 in the planning and delivery of Sydney Metro projects. We are aligned with the Transport for NSW Disability Inclusion Action Plan's outcome areas:

- Liveable communities: to provide barrier-free end to end journeys for all customers
- Accessible systems and processes: to build accessibility into our business systems and processes
- Accessible customer information technology and research: to provide accessible planning and cutting edge assistive technology

- Inclusive customer service and feedback: to ensure people with disability will influence the future of transport in NSW
- Inclusive employment: to become an employer of choice for people with disability.

Sydney Metro is guided by the practical measures in the Transport for NSW Disability Inclusion Action Plan 2018-2022 to meet the objectives and principles of the *Disability Inclusion Act 2014* and meet our obligations under the Transport Standards.

Multicultural policies and services program

The Transport for NSW Multicultural Plan outlines how the Transport cluster will respond to the NSW Government's multicultural objectives, and incorporate multicultural principles into processes and systems. As a

relatively new agency within the Transport cluster, Sydney Metro works with Transport for NSW and other agencies in accordance with the Transport for NSW Multicultural Plan and contributes to the Transport cluster's multicultural obligations and commitments.

In 2018-19 Sydney Metro participated in and supported a range of multicultural events including:

- Harmony Day
- National Aboriginal and Islanders Day Observance Committee (NAIDOC) week.

Agreements with Multicultural NSW

Sydney Metro does not have any agreements with Multicultural NSW.

Promotion (overseas visits by employees and officers)

Overseas visits, 2018-19

Officer	Destination	Purpose
Project Development Director, Metro West	Germany (Berlin) and United Kingdom (London)	Germany: Attendance at Innotrans (a leading international trade fair for transport technology attended by senior personnel from industry, government agencies and transportation around the world). Insights into customer experience and accessibility solutions were gained. UK: Visit Urban renewal / precinct activation sites.
Deputy Project Director, City & Southwest	Hong Kong and China (Shekou)	Witness factory acceptance testing of tunnel boring machine (TBM) to be used on City & Southwest for critical tunnel bores under Sydney Harbour; and undertake verification activities to assess whether requirements of Tunnel Station and Excavation contract had been met and TBM is fit-for-purpose for the project's program.
Delivery Director, Tunnels Stations and Excavation		
A/Project Director, City & Southwest	Japan (Tokyo) and Republic of Korea (Daegu and Seoul)	Inspect mechanical gap fillers (MGFs) in operation on existing networks and meet with MGF operators for the purpose of identifying solutions to platform-to-train interface along curved platforms along Bankstown line for conversion to Metro.
Associate Director, Operations Planning, Customer and Operations, City & Southwest		
Technical Director, Brownfield, City & Southwest		

Numbers and remuneration of senior executives

In 2018-19, the percentage of total employee-related expenditure relating to senior executives was 57.8 per cent.

Remuneration of senior executives, 2018-19

Transport Senior Service Level	Female	Male	Total	Average of total remuneration package*
TSSE Band 1 or equivalent				
2018-19	17	44	61	\$250,528
2017-18	16	28	44	\$245,823
TSSE Band 2 or equivalent				
2018-19	4	19	23	\$320,985
2017-18	2	14	16	\$340,285
TSSE Band 3 or equivalent				
2018-19	0	1	1	\$525,000
2017-18	0	1	1	\$521,317
2018-19 Total	21	64	85	
2017-18 Total	18	43	61	

*The average total remuneration package is based on annual salary data as at 30 June 2019.

Public interest disclosures

No public interest disclosures were made to Sydney Metro in 2018-19.

In compliance with section 6D(1) of the *Public Interest Disclosures Act 1994*, Sydney Metro has a policy that provides for its procedures for receiving, assessing and dealing with public interest disclosures.

Actions taken to ensure staff awareness of responsibilities under s6E(1)(b) of the Act have been met include:

- The Sydney Metro Public Interest Disclosure Procedure, list of Nominated Disclosure Officers and Transport Code of Conduct are published on the Sydney Metro intranet.
- Training has been conducted for Nominated Disclosure Officers.
- Information about the Sydney Metro Public Interest Disclosure Procedure has been circulated to staff via email newsletters.
- A fraud and corruption e-learning module (mandatory for all new starters) provides information on public interest disclosures.

Requirements arising from employment arrangements

Sydney Metro cannot directly employ permanent staff. Personnel services are provided by the Transport Service of NSW. As a result, Sydney Metro 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.



Sydney Metro's Community Information Centre at Campsie engages with the community about the benefits of the new metro rail system.

4.3 Legal

Significant judicial decisions affecting Sydney Metro, 2018-19

Melino v Roads and Maritime Services [2018] NSWCA 251 and *Moloney v Roads and Maritime Services* [2018] NSWCA 252

Decisions of the Court of Appeal of the Supreme Court of NSW (Court of Appeal) on 2 November 2018, following appeals of *Melino v Roads and Maritime Services* [2017] NSWLEC 118 and *Moloney v Roads and Maritime Services* (No. 2) [2017] NSWLEC 68 in the NSW Land and Environment Court (LEC)

The proceedings related to a claim for compensation for 'disturbance' under section 59(1)(f) of the Just Terms Act arising from the partial compulsory acquisition of farmland by Roads and Maritime Services (RMS) for an upgrade to the Pacific Highway, which would move the highway closer to dwellings on the residue land.

The Court of Appeal, in dismissing the appeals, held compensation for the costs of relocating to a new dwelling is not available under section 59(1)(f) unless the relocation is the natural and direct consequence of the acquisition (as opposed to the public purpose for which the land was acquired).

The Court also held, in *Moloney*, compensation for loss of profits from the partial loss of the farm is not recoverable as disturbance where it has already been compensated for in the market value of the land. In *Melino*, the Court held compensation for the costs of replacement farm structures was payable because those costs had not been compensated as part of the market value of the acquired land, but compensation for costs of loan establishment fees and interest were not recoverable under section 59(1)(f) as disturbance.

Roads and Maritime Services v Desane Properties Pty Ltd [2018] NSWCA 196

Decision of the Court of Appeal on 6 November 2018, following an appeal of the Supreme Court decision in *Desane Properties Pty Limited v State of New South Wales* [2018] NSWSC 553 (Desane Primary Judgement).

The proceedings related to the validity of the proposed acquisition notice (PAN) issued by RMS to Desane Properties Pty Limited (Desane) giving notice of the proposed compulsory acquisition of Desane's land for the WestConnex Stage 3 project.

The Court of Appeal, in overturning the Desane Primary Judgement, determined that the PAN was not invalid as it substantially complied with the statutory form, there was no statutory need to set out a specific public purpose in a PAN and, on the evidence, there was no improper exercise of RMS's acquisition power.

Roads and Maritime Services v United Petroleum Pty Ltd [2019] NSWCA 41

Decision of the Court of Appeal on 6 March 2019, following an appeal of the decision in the LEC in *United Petroleum Pty Limited v Roads and Maritime Services* [2018] NSWLEC 35 (United Primary Judgement).

The Court of Appeal overturned the United Primary Judgement that awarded over \$2 million to United Petroleum Pty Ltd (United) as compensation for the compulsory acquisition of land on which it operated a business attributable to disturbance under section 59(1)(f) of the Just Terms Act.

The Court of Appeal held that section 59(1)(f) did not permit compensation for a commercial business operation beyond the amount recovered as the market value of the land. The Court also held compensation for any rental increase during the period between acquisition and vacant possession is not recoverable under section 59(1)(f) because the loss is not a direct and natural consequence of the acquisition.

Landan Development Pty Ltd v Sydney Metro; Opera Australia v Sydney Metro; Altomonte Holdings Pty Ltd v Sydney Metro [2019] NSWLEC 65

Decision of the LEC on 20 June 2019 on a 'separate question' relevant to claims for compensation commenced in the LEC by Landan Development Pty Ltd (Landan), Opera Australia and Altomonte Holdings Pty Ltd (Altomonte) to be determined in the future.

The proceedings relate to the entitlement of Landan, Opera Australia and Altomonte (Applicants) to compensation under the Just Terms Act for the compulsory acquisition of substratum land (i.e. land under the surface) by Transport for NSW for the Sydney Metro City & Southwest project.

The Court held that the Applicants must establish that the soil has actually been disturbed, or the support of the surface has actually been injuriously affected, to make a claim for compensation under the Just Terms Act. The Court also held whether or not the soil or surface has been disturbed and/or injuriously affected can only be determined after the rail facilities have been constructed under the relevant properties.

The decision contemplates further 'separate questions' to the LEC to consider whether or not any of the 'gateway provisions' exist.

Acts and subordinate legislation affecting Sydney Metro

Minister for Transport and Infrastructure – 01.07.2018 – 02.04.2019

Parking Space Levy Act 2009

- Parking Space Levy Regulation 2009

Passenger Transport Act 1990

- Passenger Transport (Drug and Alcohol Testing) Regulation 2010
- Passenger Transport (General) Regulation 2017

Passenger Transport Act 2014

- Passenger Transport Regulation 2014

Rail Safety (Adoption of National Law) Act 2012

- Rail Safety (Adoption of National Law) Regulation 2012 (to 26.07.2018)
- Rail Safety (Adoption of National Law) Regulation 2018 (from 27.07.2018)

Rail Safety National Law (NSW)

(the Schedule to the South Australian Act, as amended from time to time, adopted for NSW with modifications by the above adoption Act)

- Rail Safety National Law National Regulations 2012 (South Australian Regulations adopted for NSW under the Rail Safety National Law (NSW))

Transport Administration Act 1988

(The Act except the parts administered by the Minister for Roads, Maritime and Freight being the Act except Part 4A, Divisions 1 to 3, so far as it relates to Roads and Maritime Services, Part 6, and so much of the Act as relates to Roads and Maritime Services)

- Transport Administration (General) Regulation 2013 (to 30.08.2018)
(provisions relating to the parts of the Act administered by the Minister for Transport and Infrastructure)
- Transport Administration (General) Regulation 2018 (from 31.08.2018)
(provisions relating to the parts of the Act administered by the Minister for Transport and Infrastructure)
- Transport Administration (Staff) Regulation 2012
(provisions relating to the parts of the Act administered by the Minister for Transport and Infrastructure)

Minister for Roads, Maritime and Freight – 01.07.2018 – 02.04.2019

Heavy Vehicle (Adoption of National Law) Act 2013

- Heavy Vehicle (Adoption of National Law) Regulation 2013

Heavy Vehicle National Law (NSW)

- Heavy Vehicle (Fatigue Management) National Regulation (NSW)
- Heavy Vehicle (General) National Regulation (NSW)
- Heavy Vehicle (Mass, Dimension and Loading) National Regulation (NSW)
- Heavy Vehicle (Registration) National Regulation (NSW)
- Heavy Vehicle (Transitional) National Regulation (NSW) (expired 01.07.2018)
- Heavy Vehicle (Vehicle Standards) National Regulation (NSW)

Minister for Transport and Roads – 02.04.2019 – 30.06.2019

Heavy Vehicle (Adoption of National Law) Act 2013

- Heavy Vehicle (Adoption of National Law) Regulation 2013

Heavy Vehicle National Law (NSW)

- Heavy Vehicle (Fatigue Management) National Regulation (NSW)
- Heavy Vehicle (General) National Regulation (NSW)
- Heavy Vehicle (Mass, Dimension and Loading) National Regulation (NSW)
- Heavy Vehicle (Registration) National Regulation (NSW)
- Heavy Vehicle (Transitional) National Regulation (NSW) (expired 01.07.2018)
- Heavy Vehicle (Vehicle Standards) National Regulation (NSW)

Parking Space Levy Act 2009

- Parking Space Levy Regulation 2009

Passenger Transport Act 1990

- Passenger Transport (Drug and Alcohol Testing) Regulation 2010
- Passenger Transport (General) Regulation 2017

Passenger Transport Act 2014

- Passenger Transport Regulation 2014

Rail Safety (Adoption of National Law) Act 2012

- Rail Safety (Adoption of National Law) Regulation 2012 (to 26.07.2018)
- Rail Safety (Adoption of National Law) Regulation 2018 (from 27.07.2018)

Rail Safety National Law (NSW)

(the Schedule to the South Australian Act, as amended from time to time, adopted for NSW with modifications by the above adoption Act)

- Rail Safety National Law National Regulations 2012
(South Australian Regulations adopted for NSW under the Rail Safety National Law (NSW))

Transport Administration Act 1988

- Transport Administration (General) Regulation 2018
- Transport Administration (Staff) Regulation 2012

New Acts and amendments to Acts in the portfolio of the Minister for Transport and Roads (Acts assented to or commenced during 2018-19)

Heavy Vehicle National Law and Other Legislation Amendment Act 2016 (Queensland 2016 Act No. 65)

(This Queensland Act amended the Heavy Vehicle National Law (NSW). Assent 09.12.2016; relevant parts commenced 01.10.2018 and 01.10.2018; see Heavy Vehicle National Law (NSW) Historical notes for provisions that were without effect)

Transport Administration Amendment (Sydney Metro) Act 2018 (Act 2018 No. 18)

Commencement Proclamation 2018 No. 275 - whole Act commenced 01.07.2018

Amended the *Transport Administration Act 1988* and other legislation to establish Sydney Metro and to facilitate the development, implementation and operation of a metro in Sydney (from long title)

Heavy Vehicle National Law and Other Legislation Amendment Act 2018 (Queensland 2018 Act No. 10)

(This Queensland Act amended the Heavy Vehicle National Law (NSW). Assent 18.06.2018; commenced 01.07.2018 and 01.10.2018)

Heavy Vehicle (Adoption of National Law) Amendment Regulation 2018 (2018 No. 354)

(This Regulation is included here as it amended Schedule 1 of the *Heavy Vehicle (Adoption of National Law) Act 2013* (NSW). Published NSW Legislation website 29.06.2018; commenced 01.07.2018 except Sch.1[2]-[5] which commenced 01.10.2018)

Rail Safety (Adoption of National Law) Regulation 2018 (2018 No. 396)

(This Regulation is included here as its Sch. 1 amended Sch.1 of the *Heavy Vehicle (Adoption of National Law) Act 2013* (NSW). Published NSW Legislation website 27.07.2018; commenced 01.10.2018)

Heavy Vehicle National Law Amendment Act 2018 (Queensland 2018 Act No. 18)

(This Queensland Act amended the *Heavy Vehicle National Law* (NSW). Assent 11.09.2018; relevant parts commenced on 01.10.2018, section 19 was without effect see *Heavy Vehicle National Law* (NSW) Historical notes)

Government Sector Finance Legislation (Repeal and Amendment) Act 2018 (Act 2018 No. 70)

(Assent 22.11.2018; relevant parts amending Transport cluster legislation Schedule 4.50, 4.105) uncommenced.

Rail Safety National Law (South Australia) (Miscellaneous) Amendment Act 2019 (South Australia Act No. 4 of 2019)

(This South Australian Act amends the *Rail Safety National Law* as set out in the Schedule to the *Rail Safety National Law (South Australia) Act 2012* (SA) which, as amended from time to time, is adopted by the *Rail Safety (Adoption of National Law) Act 2012* (NSW).

(Assent 11.04.2019; to commence on 01.07.2019 - Commencement Proclamation South Australian Government Gazette No. 26 of 06.06.2019 p 1754)

New subordinate legislation and amendments to subordinate legislation in the portfolio of the Minister for Transport and Roads

Heavy Vehicle National Amendment Regulation 2017 (2017 No. 329)

(Queensland Regulation applicable to NSW; NSW Legislation website 30.06.2017; Part 2 which amended the Heavy Vehicle (Fatigue Management) National Regulation (NSW) commenced on 01.10.2018)

Smoke-free Environment Amendment Act 2018 (2018 No.13)

(Assent 18.04.2018; commence 01.07.2018)

(Schedule 3 made consequential amendments to the Passenger Transport (General) Regulation 2017)

Rail Safety National Law National Regulations (Fees) Variation Regulations 2018 (2018 No. 267)

(South Australian Regulations applicable to NSW; NSW Legislation website 15.06.2018; commenced on 01.07.2018)

Transport Administration (General) Amendment (Sydney Metro) Regulation 2018 (2018 No. 284)

(NSW Legislation website 22.06.2018; commenced 01.07.2018)

Heavy Vehicle (Registration) National Regulation (2018 No. 298)

(Queensland Regulation applicable to NSW; NSW Legislation website 22.06.2018; commenced on 01.07.2018)

Heavy Vehicle National Regulation Amendment Regulation 2018 (2018 No. 299)

(Queensland Regulation applicable to NSW; NSW Legislation website 22.06.2018; commenced on 01.07.2018)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2018

(2018 No. 353)

(NSW legislation website 29.06.2018; commenced on 01.07.2018 except Sch.1[2], [3] and [5] which commenced on 01.10.2018)

Heavy Vehicle (Adoption of National Law) Amendment Regulation 2018 (2018 No. 354)

(NSW legislation website 29.06.2018; commenced on 01.07.2018 except Schedule 1[2]-[5] which commenced on 01.10.2018.

Rail Safety (Adoption of National Law) Regulation 2018 (2018 No. 396)

(NSW legislation website 27.07.2018; commenced on 27.07.2018)

[Included repeal of the Rail Safety (Adoption of National Law) Regulation 2012]

Transport Administration (General) Regulation 2018 (2018 No. 504)

(NSW Legislation website 31.08.2018; commenced on 31.08.2018)

[Included repeal of the Transport Administration (General) Regulation 2013]

Heavy Vehicle (Mass, Dimension and Loading) National Amendment Regulation 2018 (2018 No. 554)

(Queensland Regulation applicable to NSW; NSW Legislation website 25.09.2018; to commence immediately after the commencement of the *Heavy Vehicle National Law Amendment Act 2018*, section 12, which commenced on 01.10.2018)

Heavy Vehicle (Adoption of National) Amendment (Penalties) Regulation (No. 2) 2018 (2018 No. 714)

(NSW legislation website 07.12.2018; commenced on 14.12.2018)

Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2019 (2019 No. 258)

(NSW legislation website 21.06.2019; to commence on 01.07.2019)

Rail Safety National Law National Regulations (Fees) Variation Regulations 2019 (2019 No. 262)

(South Australian Regulations applicable to NSW; NSW Legislation website 21.06.2019; to commence on 01.07.2018)

Rail Safety National Law National Regulations Variation Regulations 2019 (2019 No. 263)

(South Australian Regulations applicable to NSW; NSW Legislation website 21.06.2019; to commence on 01.07.2019)

Disclosure of controlled entities

Sydney Metro had no controlled entities as at 30 June 2019.

Disclosure of Subsidiaries

Sydney Metro had no subsidiaries as at 30 June 2019.

Privacy and Personal Information Protection Act 1998

In compliance with section 33 of the *Privacy and Personal Information Protection Act 1998* (PPIP Act), Sydney Metro has a Privacy Management Plan which includes information about:

- the devising of policies and practices to ensure compliance with the requirements of the PPIP Act and the *Health Records and Information Privacy Act 2002*
- the dissemination of those policies and practices to persons within Sydney Metro
- the procedures that Sydney Metro applies in relation to internal review under Part 5 of the PPIP Act.

The plan is available on our website sydneymetro.info/privacy-policy

Questions, compliments or complaints about the management of personal and health information should be directed to the Privacy Officer at Transport for NSW, who will direct the inquiry to Sydney Metro.

Post The Privacy Officer
Information and Privacy Unit
Transport for NSW
PO Box K659
Haymarket NSW 1240

P 02 8202 3768

E privacy@transport.nsw.gov.au

During 2018-19, Sydney Metro received one application for internal review under Part 5 of PPIP Act. The internal review determined that no breaches had occurred.

Government Information (Public Access) Act 2009

Review of proactive release program - Clause 7(a)

Under section 7 of the *Government Information (Public Access) Act 2009* (GIPA Act), agencies must review their programs for the release of government information to identify the kinds of information that can be made publicly available. This review must be undertaken at least once annually.

Sydney Metro makes a range of information available on our website about our operations including:

- details of Sydney Metro projects and progress
- construction information for stations and other infrastructure
- information about planning for future Sydney Metro projects
- education resources and updates with a focus on information for primary and secondary school teachers and their students
- a document library for access to publications, reports, media releases and planning documents concerning Sydney Metro
- interactive maps, images and video content.

Number of access applications received - Clause 7(b)

During the reporting period, Sydney Metro received a total of 15 access applications (including withdrawn applications but not invalid applications).

Number of refused applications for Schedule 1 information - Clause 7(c)

During the reporting period, Sydney Metro refused three applications because the information requested was information referred to in Schedule 1 to the GIPA Act.

Statistical information about access applications - Clause 7(d) and Schedule 2 is presented in tables A-I.

Table A: Number of applications by type of applicant and outcome*

Type of applicant	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	2	2	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	1	0	0	0	0	1	0	0
Not-for-profit organisations or community groups	0	0	0	0	0	1	0	0
Members of the public (application by legal representative)	0	1	0	0	0	0	0	0
Members of the public (other)	2	3	0	1	0	1	0	0
Total	5	6	0	1	0	3	0	0

*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome

Type of information requested	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	5	4	0	1	0	3	0	0
Access applications that are partly personal information applications and partly other	0	2	0	0	0	0	0	0
Total	5	6	0	1	0	3	0	0

*A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity*	Number of applications
Application does not comply with formal requirements (s. 41 of the Act)	2
Application is for excluded information of the agency (s. 43 of the Act)	0
Application contravenes restraint order (s. 110 of the Act)	0
Total number of invalid applications received	2
Invalid applications that subsequently became valid applications	1

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

Public interest consideration against disclosure*	Number of times consideration used
Overriding secrecy laws	0
Cabinet information	1
Executive Council information	0
Contempt	0
Legal professional privilege	3
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

*More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

Public interest consideration against disclosure	Number of occasions when application not successful
Responsible and effective government	1
Law enforcement and security	0
Individual rights, judicial processes and natural justice	3
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

Timeliness of decision	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	12
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	0
Total	13

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

Type of review	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	1	1
Internal review following recommendation under s. 93 of Act	0	0	0
Review by NCAT	0	0	0
Total	0	1	1

*The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

Type of applicant	Number of applications for review
Applications by access applicants	3
Applications by persons to whom information the subject of access application relates (see s. 54 of the Act)	0

Table I: Applications transferred to other agencies

Type of transfer	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

4.4 Finance

Financial performance summary 2018-19

REVENUE AND EXPENSES

For the year 2018-19, Sydney Metro received \$2,690.6 million in Government contributions towards capital projects and day-to-day operation, \$284.1 million of income from operating activities (including cost recovery from related transport entities), while \$405.3 million were incurred in operations, depreciation and financing costs, with a further \$322 million of non-cash grants to third parties.

Other comprehensive income for the year of \$665.3 million relates to asset revaluation increment and gain on commodity swaps and foreign exchange.

CAPITAL EXPENDITURE

Sydney Metro's total capital expenditure for the year was \$4,148.8 million. Sydney Metro was also engaged in the delivery of capital works for RailCorp assets throughout the year, totalling \$205.1 million. In total, Sydney Metro delivered \$4,353.9 million of capital works.

Financial Statements

The Sydney Metro Annual Financial Statements are at Appendix A.

Payment of accounts

Outstanding invoices by age at the end of each quarter, 2018-2019

Quarter	Current (i.e. within due date) \$'000	Less than 30 days overdue \$'000	Between 31 and 60 days overdue \$'000	Between 61 and 90 days overdue \$'000	More than 90 days overdue \$'000
All suppliers					
September	15,000	1,000	200	0	0
December	12,000	7,000	0	-200	0
March	20,000	600	0	400	-700
June	49,000	600	900	0	0
Small business suppliers (\$'000)					
September	400	0	0	0	0
December	0	0	0	0	0
March	0	0	0	0	0
June	0	0	0	0	0

Accounts due and paid for within each quarter, 2018-2019

Quarter	September	December	March	June
All suppliers				
Number of accounts due for payment	2,048	2,211	2,240	2,266
Number of accounts paid on time	2,042	2,202	2,226	2,243
Actual percentage of accounts paid on time (based on number of accounts)	99.7%	99.6%	99.4%	99.0%
Dollar amounts of accounts due for payment (\$'000)	635,000	940,000	713,000	707,000
Dollar amount of accounts paid on time (based on \$) (\$'000)	634,000	938,000	633,000	702,000
Actual percentage of account paid on time (based on \$)	99.9%	99.8%	88.8%	99.4%
Number of payments for interest on overdue accounts	0	0	0	0
Interest paid on overdue accounts (\$'000)	0	0	0	0
Small business suppliers				
Number of accounts due for payment to small businesses	7	7	36	47
Number of accounts due to small business paid on time	7	7	36	47
Actual percentage of small business accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment to small businesses (\$'000)	200	300	700	1,200
Dollar amount of accounts due to small businesses paid on time (\$'000)	200	300	700	1,200
Actual percentage of small business accounts paid on time (based on \$)	100%	100%	100%	100%

Time for payment of accounts

Overdue accounts within each quarter, 2018-2019

Quarter	September	December	March	June
Number of payments for interest on overdue accounts	0	0	0	0
Interest paid to small businesses on overdue accounts (\$'000)	0	0	0	0

The total external costs incurred in the production of this report is \$935.

Funds granted to non-government community organisations

There were no funds granted to non-government community organisations in 2018-19.

Economic or other factors

In funding our planned capital works, Sydney Metro is reliant on the proceeds from property developments and divestments. The current performance of the local NSW property market is therefore an important factor in the delivery of Sydney Metro capital investment plans.

Sydney Metro recognises the scale of our planned capital works program and the timing of other major construction projects in NSW. We are therefore working carefully with our current and prospective supply chain, through a process of structured industry engagement, to mitigate the supply/delivery capacity risks.

Consultants

Consultants employed, 2018-19

Consultant	Category	Project	Actual cost
The Leafcutter Ltd	Organisational Review	Strategic Advisory Services	\$8,788
Paul Richard Gilbertson	Organisational Review	Strategic Advisory Services	\$26,863
Phil Gaffney Consulting Ltd	Organisational Review	Strategic Advisory Services	\$167,307

Sydney Metro discloses the engagement of all professional services over \$150,000 on the NSW Government eTendering website.

Land disposal

Sydney Metro acquires and holds properties to construct major projects in accordance with our functions under the *Transport Administration Act 1988*. After completing projects, subject to land not being required for operational purposes, the assets are either transferred to other government agencies for approved functions or divested in accordance with government guidelines.

There were no assets disposed of by Sydney Metro with a value of greater than \$5 million during 2018-19.

Implementation of price determination

Sydney Metro's fare and pricing regimes and matters, as associated with the Independent Pricing and Regulatory Tribunal (IPART), are reserved for implementation and policy via Transport for NSW.

IPART is responsible for determining maximum fares for trips made across all Opal Services excluding Gold Opal, Child Opal, Concession Opal and travel on the School Student Travel Scheme. Sydney Metro commenced revenue service on 27 May 2019, and adopted the 2018-19 Changes to Opal fares as per the IPART compliance statement.

Digital information security policy attestation

CYBER SECURITY ANNUAL ATTESTATION STATEMENT FOR THE 2018-19 FINANCIAL YEAR FOR SYDNEY METRO

I, Jon Lamonte, am of the opinion that Sydney Metro is approaching cyber security in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

In line with the NSW Government Cyber Security Policy, Sydney Metro has identified its critical assets and has an ongoing program of work to identify and assess the changing security threats, manage new and current risks and implement appropriate controls.

A mix of reviews, independent audits and certifications of the Agency's ISMS were undertaken, in addition to reporting against the Mandatory Requirements of the NSW Government Cyber Security Policy and found to be adequate or findings being addressed through the program of work as appropriate.

16 September 2019



Internal Audit and Risk Management Attestation Statement for the 2018-19 Financial Year for Sydney Metro

I, John Arthur, am of the opinion that Sydney Metro has internal audit and risk management processes in operation that are, excluding the transitional arrangements described below, compliant with the eight core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector (TPP15-03), specifically:

Core Requirements

Risk Management Framework

1.1	The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant

Internal Audit Function

2.1	An internal audit function has been established and maintained	Compliant
2.2	The operation of the internal audit function is consistent with the international standards for the Professional Practice of Internal Auditing	Compliant
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	In transition

Audit & Risk Committee

3.1	An Independent Audit and Risk Committee with appropriate expertise has been established	In transition
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Audit and Risk Committee during 2018-19 were:

- Independent Chair, John Arthur
- Independent Member 1, Louise Thurgood
- Independent Member 2, Thao Oakey.

Departures from the core requirements

I, the Chairman of the Sydney Metro Board, advise that:

- The internal audit and risk management processes for Sydney Metro depart from the following core requirements set out in the Internal Audit & Risk Management Policy for the NSW Public Sector (TPP15-03); and
- The departure from the core requirement is due to the agency establishing itself on 1 July 2018 following its inception via the *Transport Administration Amendment (Sydney Metro) Act 2018*.

Departure	Reason for departure and description of practicable alternative measures implemented/being implemented
In transition	
Core requirement 2.3: The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	An Internal Audit Charter will be prepared during 2019-20.
Core requirement 3.1: An Independent Audit and Risk Committee with appropriate expertise has been established	Prequalification for the independent members, per the NSW Government Audit & Risk Committee pre-qualification scheme, is being sought within the transitional period of 24 months as stated in TPP15-03. All members of the ARC satisfied all requirements to be independent per clause 3.1.5 of TPP15-03

These processes demonstrate that Sydney Metro has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within Sydney Metro.



John Arthur
Chairman
Sydney Metro Board

26 September 2019

Appendix A - Financial Statements





INDEPENDENT AUDITOR'S REPORT

Sydney Metro

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Metro, which comprises the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a 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 Sydney Metro as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of Sydney Metro 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

Sydney Metro's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The members of the Board of Sydney Metro are 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 Board.

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 Board's Responsibility for the Financial Statements

The members of the Board are 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 members of the Board determine 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 members of the Board are responsible for assessing Sydney Metro's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

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



Somaiya Ahmed

Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 September 2019

SYDNEY

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Sydney Metro Statement by the Board for the year ended 30 June 2019

Pursuant to sections 41C (1B) and (1C) of the *Public Finance and Audit Act 1983* ('the Act'), 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 Treasurer's Directions issued under section 9(2)(n) of the Act;
- (b) The statements exhibit a true and fair view of the financial position of Sydney Metro as at 30 June 2019, 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, in any material respect.



John Arthur
Chairman

Date: 26 September 2019



Gail Pemberton
Director

Date: 26 September 2019

Sydney Metro
Statement of comprehensive income
for the year ended 30 June 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000
Expenses excluding losses			
Operating expenses			
Personnel service expenses	2(a)	8,952	-
Other operating expenses	2(b)	70,725	5,170
Major rail project expense	2(c)	205,097	-
Depreciation and amortisation	2(d)	39,314	6,119
Finance costs	2(e)	22,038	10,544
Other expenses	2(f)	59,199	30,739
Grants and subsidies	2(g)	322,163	-
Total expenses excluding losses		727,488	52,572
Revenue			
Sale of goods and services	3(a)	38,817	63,200
Investment revenue	3(b)	38,366	-
Grants and contributions	3(c)	2,690,580	2,043,164
Major rail project revenue	3(d)	205,097	-
Resources received free of charge	3(e)	1,844	-
Total revenue		2,974,704	2,106,364
Gain/(loss) on disposal	4	(258,277)	-
Other gains/(losses)	5	3,895	-
Net result		1,992,834	2,053,792
Other comprehensive income			
<i>Items that may be reclassified subsequently to net result</i>			
Net gains/(losses) in commodity swaps and foreign exchange		18,442	-
<i>Items that will not be reclassified to net result</i>			
Net increase/(decrease) in asset revaluation surplus	11	644,684	-
Total other comprehensive income		663,126	-
Total comprehensive income		2,655,960	2,053,792

The accompanying Notes form part of these financial statements.

Sydney Metro
Statement of financial position
as at 30 June 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	190,807	39,091
Receivables	8	240,075	-
Financial assets at fair value	9	1,970	-
Non-current assets held for sale	10	15,565	-
Total current assets		448,417	39,091
Non-current assets			
Receivables	8	730,202	-
Financial assets at fair value	9	18,863	-
Property plant and equipment			
Land and buildings	11	529,635	-
Plant and equipment	11	672,354	-
Infrastructure systems	11	13,459,499	9,861,414
Property, plant and equipment	11	14,661,488	9,861,414
Total non-current assets		15,410,553	9,861,414
Total assets		15,858,970	9,900,505
LIABILITIES			
Current liabilities			
Payables	14	412,179	-
Borrowings	15	77,288	-
Provisions	16	350	-
Total current liabilities		489,817	-
Non-current liabilities			
Borrowings	15	1,756,342	1,785,420
Provisions	16	15,795	-
Other liabilities	17	625	-
Total non-current liabilities		1,772,762	1,785,420
Total liabilities		2,262,579	1,785,420
Net assets		13,596,391	8,115,085
EQUITY			
Accumulated funds		12,933,265	8,115,085
Reserves		663,126	-
Total equity		13,596,391	8,115,085

The accompanying Notes form part of these financial statements.

Sydney Metro
Statement of changes in equity
for the year ended 30 June 2019

	Notes	Accumulated funds \$ '000	Asset revaluation surplus \$ '000	Hedge reserve \$ '000	Total equity \$ '000
2019					
Balance at 1 July 2018		-	-	-	-
Net result for the year		1,992,834	-	-	1,992,834
Other comprehensive income					
Net gains/(losses) in foreign exchange		-	-	18,442	18,442
Net increase/(decrease) in asset revaluation surplus		-	644,684	-	644,684
Total other comprehensive income		-	644,684	18,442	663,126
Total comprehensive income for the year		1,992,834	644,684	18,442	2,655,960
Transactions with owners in their capacity as owners					
Equity transfers	21	4,612,846	-	-	4,612,846
Increase/(decrease) in net assets from administrative restructure	24	6,327,585	-	-	6,327,585
Balance at 30 June 2019		12,933,265	644,684	18,442	13,596,391

The accompanying Notes form part of these financial statements.

Sydney Metro
Statement of cash flows
for the year ended 30 June 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000
Cash flows from operating activities			
Payments			
Personnel services		(9,276)	-
Finance costs		(10,265)	(10,544)
Service contract payments		(59,199)	-
Payments to suppliers		(351,255)	(35,909)
Other		(259,152)	-
Total payments		(689,147)	(46,453)
Receipts			
Sale of goods and services		306,304	63,200
Interest received		4,299	-
Grants and contributions		2,690,580	2,043,164
Other		243,218	-
Total receipts		3,244,401	2,106,364
Net cash flows from operating activities	18	2,555,254	2,059,911
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		20,988	-
Purchases of property, plant and equipment		(2,381,574)	(1,986,275)
Net cash flows from investing activities		(2,360,586)	(1,986,275)
Cash flows from financing activities			
Repayment of borrowings and advances		(3,861)	(34,545)
Net cash flows from financing activities		(3,861)	(34,545)
Net increase/(decrease) in cash		190,807	39,091
Opening cash and cash equivalents		-	-
Closing cash and cash equivalents	7	190,807	39,091

The accompanying Notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Sydney Metro - Reporting entity

Sydney Metro is a statutory corporation established on 1 July 2018 under the *Transport Administration Act 1988*. Sydney Metro is a statutory authority for the purposes of the *Public Finance and Audit Act 1983*.

Sydney Metro is a not-for-profit entity for accounting purposes (as profit is not its principal objective) and it has no cash generating units. The principal objectives of Sydney Metro are to:

- 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, and proposed metro stations, depots and stabling yards.

Sydney Metro 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).

The financial statements of Sydney Metro for the year ended 30 June 2019 were authorised for issue by the Board 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* (the Act) and the *Public Finance and Audit Regulation 2015*; and
- NSW Treasurer's Directions issued under the Act.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and certain financial assets and liabilities are measured at fair value. Other financial statement 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, which is the entity's presentation and functional currency.

(c) Critical accounting estimates, judgement and assumptions

In the application of Australian Accounting Standards and the Directions issued 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.

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.

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

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

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

(f) Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the net result.

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

(g) Comparative information

As this is the first year of operation, there is no comparative information presented in the financial statements.

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

At reporting date all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to Sydney Metro and effective for the current annual reporting period have been adopted.

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.

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

AASB 16 Leases

AASB 16 Leases (AASB 16) is effective from reporting periods commencing on or after 1 January 2019.

For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease.

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

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

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

The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance. Existing finance leases are not expected to be significantly impacted from the transition to AASB 16.

The accounting for lessors under AASB 16 will not significantly change. However, Sydney Metro will be required to reclassify sub-leases as either finance leases or operating leases for leases in which Sydney Metro is the intermediate lessor. Sydney Metro has reviewed the classification of sub-leases and identified that all sub-leases are back-to-back. Therefore, Sydney Metro expects the sub-leases to be classified as finance leases, resulting in the recognition of finance lease receivables as opposed to the right of use assets.

Sydney Metro will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. Sydney Metro will also adopt the practical expedient whereby the fair value of the right-of use asset will be the same as the lease liability at 1 July 2019.

Based on the impact assessments Sydney Metro has undertaken on currently available information, Sydney Metro estimates additional lease liabilities of \$10.8 million, right-of-use assets of \$9.2 million and sublease receivable of \$1.6 million will be recognised as at 1 July 2019 for leases and subleases where Sydney Metro is a lessee or an intermediate lessor. The impact on the statement of comprehensive income is expected to be a \$0.1 million expense driven from finance interest expense which cannot be capitalised.

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 1058 Income of Not-for-Profits

AASB 15 Revenue from Contracts with Customers (AASB 15) is effective for reporting periods commencing on or after 1 January 2019. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which Sydney Metro expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 Revenue (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

AASB 1058 *Income of Not-for-Profits* (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 Contributions (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, Sydney Metro will need to determine whether a transaction is consideration received below fair value principally to enable it to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

The standards will result in the identification of separate performance obligations that could change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies. The adoption of these standards will primarily result in the recognition of increased liabilities reported on the Statement of Financial Position, predominately consisting of deferred revenue.

Under AASB 1058, Sydney Metro will recognise as liabilities (deferred revenue), obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by Sydney Metro.

Sydney Metro will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.

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

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

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

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 1058 Income of Not-for-Profits (cont'd)

Based on the impact assessments Sydney Metro has undertaken on currently available information, this standard is not expected to have a significant transitional impact.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 *Service Concession Arrangements: Grantors* will apply to annual reporting periods beginning on or after 1 January 2020. 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. Based on the impact assessments Sydney Metro has undertaken on currently available information, this standard is not 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 to be significant.

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

2. Expenses excluding losses

(a) Personnel service expenses

	2019 \$'000
Salaries and wages (including annual leave)	5,561
Superannuation - defined benefit plans	38
Superannuation - defined contribution plans	577
Long service leave	1,511
Workers' compensation insurance	14
Payroll tax and fringe benefits tax	449
Redundancy payments	802
Personnel service expenses	8,952

In addition to the above, \$6.6 million has been included in major rail project expenses and \$47.4 million has been capitalised in property, plant and equipment.

Sydney Metro
Notes to the financial statements
for the year ended 30 June 2019

2. Expenses excluding losses (cont'd)

(b) Other operating expenses

	2019 \$'000
Auditor's remuneration - audit of financial statements	215
Advertising and marketing	4,799
Telecommunications	324
Electricity, gas and water	2,532
General expenses	513
Information technology	124
Insurance	61
Legal services	534
Office expenses	508
Other contractors and consultants	55,968
Property rent and other related expenses	3,373
Travel expenses	48
Share service charges	1,726
Other operating expenses	70,725

(c) Major rail project expenses

	2019 \$'000
Personnel related expenses	6,613
Skill hire contractors	5,783
Other contractors	186,184
Property acquisition	2,057
Legal services	2,046
Rent and other related expenses	1,010
Information technology and telecommunication expenses	325
Other	1,079
Major rail project expenses	205,097

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

Costs incurred	(205,097)
Billings to date	205,097
Gross amount due from RailCorp	-

(d) Depreciation and amortisation expense

	2019 \$'000	Notes
Infrastructure systems		
Rail systems	33,978	
Plant and equipment		
Rolling stock	3,257	
Plant and equipment	2,079	
Depreciation	39,314	11

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

Sydney Metro
Notes to the financial statements
for the year ended 30 June 2019

2. Expenses excluding losses (cont'd)

(e) Finance costs

	2019 \$'000
Interest expense from financial liabilities not at fair value through profit or loss	22,006
Unwinding of discount on liabilities	32
Finance costs	22,038

(f) Other expenses

	2019 \$'000
Bus replacement services	43,685
Metro service contract payments	15,514
Other expenses	59,199

(g) Grants and subsidies

	2019 \$'000
Grants to external parties – transfer of assets	322,163
Grants and subsidies	322,163

Recognition and measurement

(i) Personnel services expenses

Personnel services are provided by the Transport Service of New South Wales. 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 property, plant and equipment assets 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 Sydney Metro.

(iii) Insurance

Sydney Metro arranges insurance cover through the NSW Treasury Managed Fund Scheme, apart from Sydney Metro Northwest and City and Southwest projects cover which is arranged through private insurance providers. The expense (premium) is determined by the Fund Manager based on past claims experience.

(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.

Sydney Metro
Notes to the financial statements
for the year ended 30 June 2019

2. Expenses excluding losses (cont'd)

Recognition and measurement (cont'd)

(v) **Major rail project expenses**

Sydney Metro manages the design and construction of certain major rail projects on behalf of RailCorp. RailCorp receives a direct equity injection from the Crown Entity to fund its contract activities with Sydney Metro. Under this funding arrangement, RailCorp reimburses Sydney Metro 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 cost included in personnel related expenses.

(vii) **Finance costs**

Finance costs comprise mainly interest charges and unwinding of discount of liabilities recorded at present value. 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 they are incurred.

(viii) **Grants and subsidies**

Grants and subsidies generally comprise contributions in cash or in kind to various local government authorities and other organisations. The contributions include transfers of assets for nil consideration. The grants and subsidies are expensed on the transfer of the cash or assets.

3. Revenue

(a) **Sale of goods and services**

	2019 \$'000
Passenger service revenue	3,486
Other	2,118
Recoupment of project costs	33,213
Sale of goods and services	38,817

(b) **Investment revenue**

	2019 \$'000
Rental Income	915
Interest income	37,451
Investment revenue	38,366

Interest income includes \$35.3m unwinding of the discount of the present value of non-current receivables (refer to Note 8).

Sydney Metro
Notes to the financial statements
for the year ended 30 June 2019

3. Revenue (cont'd)

(c) **Grants and contributions**

	2019 \$'000
Grants from Transport for NSW	2,690,580
Grants and contributions	2,690,580

(d) **Major rail project revenue**

	Notes	2019 \$'000
Major rail project revenue	2(c)	205,097
Major rail project revenue		205,097

(e) **Resources received free of charge**

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

	2019 \$'000
Personnel services - superannuation - defined benefit	1,795
Personnel services - long service leave	47
Personnel services - payroll tax	2
Resources received free of charge	1,844

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 Sydney Metro and the income can be reliably measured. Comments regarding the accounting policies for the recognition of income are discussed below.

(i) **Sale of goods**

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

(ii) **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.

(iii) **Investment income**

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

Rental income is recognised in accordance with AASB 117 Leases on a straight-line basis over the lease term.

Sydney Metro
Notes to the financial statements
for the year ended 30 June 2019

3. Revenue (cont'd)

Recognition and measurement (cont'd)

(iv) Grants and contributions

Income from grants (other than contribution by owners) is recognised when Sydney Metro obtains control over the contribution. Sydney Metro is deemed to have assumed control when the grant is received or receivable. Contributions are recognised at their fair value.

(v) 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	2019 \$'000
Proceeds from asset sale		602,591
Net carrying amount of property, plant and equipment disposed	11	(860,868)
Gain/(loss) on disposal		(258,277)

In 2018-19, Sydney Metro entered into Integrated Station Development agreements with external parties for the construction of Metro stations and over-station development, with sale of associated rights that serve as a partial offset to overall metro station development costs. The transactions involve transfer and long-term lease from Sydney Metro to the external parties that are treated as asset sales for accounting purposes. Majority of sales proceeds are expected to be received by Sydney Metro in the future, and are recorded at present value and/or fair value as other receivable (refer to note 8), while the unwinding of discount on these receivables are recorded as interest income (refer to note 3(b)).

5. Other gains/(losses)

	2019 \$'000
Derivative gains/(losses)	3,895
Other gains/(losses)	3,895

Recognition and measurement

Derivative gains/(losses)

Please refer to the recognition and measurement in Note 9 for derivatives financial instruments.

Impairment losses

Impairment losses may arise on assets held by Sydney Metro 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 giving rise to impairment losses are disclosed in the following notes:

- Property, plant and equipment – Note 11

Sydney Metro
Notes to the financial statements
for the year ended 30 June 2019

6. Program group

Sydney Metro has one program group namely:

Metropolitan 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 networks.

7. Cash and cash equivalents

	2019 \$'000
Cash at bank and on hand	190,807
Cash and cash equivalents	190,807

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:

	2019 \$'000
Cash and cash equivalents (per Statement of financial position)	190,807
Cash and cash equivalents (per Statement of cash flows)	190,807

Refer Note 23 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. Receivables

	2019 \$'000
Current receivables	
Sale of goods and services	2,946
Goods and Services Tax recoverable	40,837
Prepayments	29,490
Other receivables	165,684
Investment income receivable	1,118
Current receivables	240,075
Non-Current receivables	
Other receivables ¹	708,202
Prepayments	22,000
Non-Current Receivables	730,202

¹ Other receivables include proceeds receivable from external parties under the Integrated Station Development arrangements (\$613.9 million), and grant receivable from Urban Growth Development Corporation (\$94.3 million). These receivables are recorded at present value of future cash flows.

The entity did not recognise Expected Credit Losses at 30 June 2019.

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 23.

8. Receivable (cont'd)

Recognition and measurement

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

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

Subsequent measurement

Receivable held by Sydney Metro with the objective to collect the contractual cash flows are measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Receivable held by Sydney Metro that are linked to the fair value of the underlying assets are measured at fair value through profit or loss. Accordingly, these receivables are re-measured at fair value at each reporting date until receipt, and the movement in fair value is recognised in the profit or loss.

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

For trade receivables, Sydney Metro applies a simplified approach in calculating ECLs. The entity recognises a loss allowance based on lifetime ECLs at each reporting date.

9. Financial assets at fair value

	2019 \$'000
Foreign exchange derivatives - cash flow hedges	1,970
Current financial assets at fair value	1,970
Foreign exchange derivatives - cash flow hedges	17,443
Energy derivatives – cash flow hedges	1,420
Non-current financial assets at fair value	18,863

Recognition and measurement

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

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

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

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

Recognition and measurement (cont'd)

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

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

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

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

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

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

Financial assets are held for trading if acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains/(losses).

(iii) Derivative financial instruments and hedge accounting

Sydney Metro 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.

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.

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

Recognition and measurement (cont'd)

(iii) Derivative financial instruments and hedge accounting (cont'd)

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.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Sydney Metro actually hedges and the quantity of the hedging instrument that it actually uses to hedge that quantity of hedged item.

At the inception of a hedge relationship, Sydney Metro formally designates and documents the hedge relationship, to which Sydney Metro 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.

The hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Sydney Metro will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

Foreign exchange derivatives – cash flow hedges

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

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

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 cumulative gain or loss in equity is transferred to profit or loss.

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

Recognition and measurement (cont'd)

(iii) Derivative financial instruments and hedge accounting (cont'd)

Energy derivative – cash flow hedge

Sydney Metro 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 AASB 9 Financial instruments*. 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.

10. Non-current assets held for sale

	2019
	\$'000
Land and buildings held for sale	15,565
Non-current assets held for sale	15,565

Non-current assets held for sale are parcels of land around Metro Northwest stations being developed with Landcom where efforts to sell the properties have started.

Recognition and measurement

Sydney Metro has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of their carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held-for-sale.

These assets are not depreciated / amortised while they are classified as held-for-sale.

11. Property, plant and equipment

Property plant and equipment Reconciliation

	Land and Building		Infrastructure systems			Plant and equipment			Total Property, plant and equipment \$ '000
	Land and buildings \$ '000	Assets under construction \$ '000	Total \$ '000	Rail systems ¹ \$ '000	Assets under construction \$ '000	Total \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	
At 30 June 2019									
At cost - Gross carrying amount	-	246,061	246,061	-	5,302,609	5,302,609	-	-	5,548,670
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-
At fair value - Gross carrying amount	283,574	-	283,574	8,190,868	-	8,190,868	29,570	648,120	9,152,132
Accumulated depreciation and impairment	-	-	(33,978)	(33,978)	-	(33,978)	(2,079)	(3,257)	(39,314)
Net carrying amount	283,574	246,061	529,635	8,156,890	5,302,609	13,459,499	27,491	644,863	14,661,488

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

	Land and buildings		Infrastructure systems		Plant and equipment		Total property, plant and equipment \$ '000			
	Notes	Land and buildings \$ '000	Assets under construction \$ '000	Total \$ '000	Rail systems \$ '000	Assets under construction \$ '000		Total \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000
Opening balance										
Additions		-	-	-	-	3,719,655	3,719,655	-	-	3,719,655
Disposals		-	-	-	-	(860,868)	(860,868)	-	-	(860,868)
Reclassification between PPE classes	4	245,528	9,137	254,665	7,630,056	(8,516,585)	(886,529)	29,570	602,294	631,864
Asset transfer (to)/from equity	21	-	245,489	245,489	-	4,367,357	4,367,357	-	-	4,612,846
Reclassifications (to)/from other assets		-	-	-	-	2,566,581	2,566,581	-	-	2,566,581
Assets transferred to/from non-current assets held for sale		-	(15,565)	(15,565)	-	-	-	(2,079)	(3,257)	(15,565)
Depreciation/amortisation		-	-	-	(33,978)	-	(33,978)	-	-	(39,314)
Net revaluation increments less revaluation decrements		38,046	-	38,046	560,812	-	560,812	-	45,826	644,684
Net increase in assets from administrative restructure		-	7,000	7,000	-	4,348,632	4,348,632	-	-	4,355,632
Transfer (to)/from local councils	2(g)	-	-	-	-	(306,328)	(306,328)	-	-	(306,328)
Transfer (to)/from other transport agencies	2(g)	-	-	-	-	(15,835)	(15,835)	-	-	(15,835)
Net carrying amount at 30 June		283,574	246,061	529,635	8,156,890	5,302,609	13,459,499	27,491	644,863	14,661,488

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 13.

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 Sydney Metro 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 NSW Treasury Accounting Policy "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 participant's perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer to Note 13 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.

Land and buildings will be revalued 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. Revaluations are performed by independent professionally qualified valuers.

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

Asset type	Latest comprehensive revaluation date
Rail land	30 June 2019
Rail Infrastructure	5 May 2019
Rolling stock	5 May 2019
Specialised plant and equipment	5 May 2019

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.

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)

(v) 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.

(vi) 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 Sydney Metro 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, Sydney Metro 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.

(vii) 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 Sydney Metro.

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
Infrastructure systems	8 - 200 years
Plant and equipment	1 - 25 years
Rolling stock	32 years

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

Recognition and measurement (cont'd)

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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. Other assets

	2019 \$'000
Non-current other assets	-
Movement in right to receive privately financed transport infrastructure	
Assets transfer to/from Equity	2,137,461
Additions	429,120
Reclassification to property, plant and equipment	(2,566,581)
Balance at 30 June	-

Sydney Metro (previously Transport for NSW) entered into a PPP 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 "Accounting for Privately Financed Projects". Upon completion, the prepaid assets were transferred to property, plant and equipment, and form part of the cost base of the overall Metro Northwest assets.

13. 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 Sydney Metro'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, Sydney Metro's 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 Metro 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).

Sydney Metro 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 2019.

2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Property, plant and equipment				
Land and buildings	-	2,050	281,524	283,574
Land and buildings	-	2,050	281,524	283,574
Rolling stock	-	-	644,863	644,863
Plant and equipment	-	-	27,491	27,491
Plant and equipment	-	-	672,354	672,354
Rail systems	-	-	8,156,890	8,156,890
Infrastructure systems	-	-	8,156,890	8,156,890
	-	2,050	9,110,768	9,110,768

(b) Valuation process

Sydney Metro 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.

Sydney Metro engages external qualified valuers to determine the fair value of the entity's non-financial assets. A comprehensive valuation of Metro Northwest rail assets (excluding land) were conducted by AECOM Australia as at 5 May 2019 (date of practical completion of these assets). A comprehensive valuation of the Sydney Metro North West land assets was conducted by Jones Lang LaSalle Advisory Services for Metro Northwest land 30 June 2019. The scope of the land valuation excluded developable land under Northwest Property Development Agreement, which remains within asset under construction as they are still being developed in partnership with Landcom under the Northwest Property Development Agreement. Office fitouts within plant and equipment asset category are measured using depreciated historical cost as an approximation of fair value and do not require fair value hierarchy disclosure.

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

(c) Valuation techniques and input

At the end of each reporting period, Sydney Metro 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 fair value assessment considers information from a variety of other sources and uses specific valuation techniques including:

- markets, adjusted to reflect those differences;
- depreciated 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 based on contract costs and overhead costs escalated from contract to measurement date.

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 inputs used for level 3 fair value measurements are as follows:

- Land – sale evidence and market indicator for comparable properties, adjusted for the specific attributes of the property being revalued, such as size, configuration and location of the properties, restricted use for rail transport and infrastructure, as well as risk associated.
- Metro Northwest rolling stock and specialised plant and equipment - replacement cost for modern equivalent assets, expected useful life and remaining life of the assets are estimated and reviewed by the external valuer.
- Metro Northwest 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 as estimated by the external valuer.

There were no transfers between level 1, 2 and 3 for recurring and non-recurring fair value measurements during the year.

(d) Reconciliation of level 3 fair value measurement

	Land and buildings \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Infrastructure systems \$ '000	TOTAL \$ '000
Fair value at start of year	-	-	-	-	-
Additions	-	-	-	-	-
Revaluation increments/decrements recognised in other comprehensive income	52,884	-	45,826	560,812	659,522
Depreciation	-	(2,079)	(3,257)	(33,978)	(39,314)
Equity transfer	-	-	-	-	-
Transfer from other classes of property, plant and equipment	-	-	-	-	-
Transfer from assets under construction	228,640	29,570	602,294	7,630,056	8,490,560
Fair value as at 30 June 2019	281,524	27,491	644,863	8,156,890	9,110,768

14. Payables

	\$'000
Trade creditors	157,528
Accrued expenses	250,206
Personnel service payables	4,445
Current payables	412,179

Recognition and measurement

These amounts represent liabilities for goods and services provided to Sydney Metro 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 23.

15. Borrowings

	2019 \$'000
Financial liability	77,288
Current borrowings	77,288
Financial liability	1,756,342
Non-current borrowings	1,756,342

Repayment of borrowings

	2019 \$'000
Not later than one year	77,288
Later than one year and not later than five years	329,129
Later than five years	1,427,213
Repayment of borrowings	1,833,630

In 2015, Transport for NSW (now Sydney Metro) entered into a Public Private Partnership (PPP) with Northwest Rapid Transit for the construction of the Sydney Metro Northwest. Following the guidelines set out in NSW Treasury Policy Paper 06-8 "Accounting for Privately Financed Projects", the carrying amount of the financial liability has been calculated based on the present value of future payments.

Recognition and measurement

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings, are disclosed in Note 23.

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15. Borrowings (cont'd)

Financial guarantees

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

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially recognised at fair value plus, in the case of financial guarantees not at fair value through profit or loss, directly attributable transaction costs, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB137 and the amount initially recognised, less accumulated amortisation, where appropriate.

Sydney Metro has reviewed its financial guarantee and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2019. However, refer to Note 22 regarding disclosures on contingent liabilities.

16. Provisions

	2019 \$'000
Legal and related claims	350
Current provisions	350
Land and buildings remediation	15,795
Non-current provisions	15,795

Movement in provisions

	Land and buildings remediation \$'000	Legal and related claims \$'000	Total \$'000
Additional provision recognised	15,795	350	16,145
Carrying amount at the end of the financial year	15,795	350	16,145

Recognition and measurement

Provisions exist when Sydney Metro 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 Sydney Metro 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 Sydney Metro has a legal or constructive obligation to remediate property and other assets. The value recognised for each provision represents the most reliable basis for estimating the outflow of resources required to settle the obligations.

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17. Other liabilities

	2019 \$'000
Other	625
Non-current other liabilities	625

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

	2019 \$'000
Net cash inflows/(outflows) from operating activities	2,555,254
Depreciation and amortisation	(39,314)
Non-cash revenue and expenses	27,412
(Decrease)/increase in receivables, inventories and other assets	44,650
(Increase)/decrease in payables and provisions	(14,728)
Net gain/(loss) on sale of property, plant and equipment	(258,277)
Reconciliation to net result	2,314,997

19. Non-cash financing and investing activities

	Notes	2019 \$'000
Transfer from administrative restructure - others		6,327,585
Equity transfers	21	4,612,846
Resources received free of charge		1,844
Non-cash investing activities		10,942,275
Non-cash financing and investing activities		10,942,275

20. Commitments for expenditure

	Notes	2019 \$'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		2,433,284
Later than one year and not later than five years		2,617,540
Later than five years		-
Total (including GST)		5,050,824
(b) Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year		5,596
Later than one year and not later than five years		460
Later than five years		-
Total (including GST)		6,056

Operating leases for Sydney Metro are related to leases of properties and motor vehicles.

Net GST on all commitments estimated at \$459.7million will be recouped from the Australian Taxation Office.

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21. 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 Sydney Metro's policy on the revaluation of property, plant and equipment as discussed in Note 10.

(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 include all current period retained funds.

(d) Equity transfers

	2019 \$'000
Epping to Chatswood assets transferred from RailCorp ¹	1,415,529
Metro Northwest assets transferred from RailCorp ²	3,196,473
Land transferred from RMS ³	844
Equity transfers	4,612,846

¹ The Transport Secretary directed RailCorp to transfer assets related to the Epping to Chatswood Line to Sydney Metro under the *Transport Administration Act 1988*, and it has been accounted for as an adjustment to equity effective 26 October 2018, in accordance with TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities' (TPP09-3).

² The Transport Secretary directed RailCorp to transfer assets related to Metro Northwest to Sydney Metro under the *Transport Administration Act 1988*, and it has been accounted for as an adjustment to equity effective 3 May 2019, in accordance with TPP 09-3.

³ The Transport Secretary directed RMS to transfer land around relating to Metro Northwest to Sydney Metro under the *Transport Administration Act 1988*, and it has been accounted for as adjustment to equity in accordance with TPP 09-3. There were 2 separate transfers directed by the Transport Secretary, effective 14 December 2018 and 26 June 2019.

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 TPP 09-3, 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.

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22. Contingent assets and contingent liabilities

There is a dispute in relation to contractual claims and counterclaims relating to the Sydney Metro Northwest project. There is significant uncertainty as to the extent and amount of any potential financial outcome (either liability or amount recoverable by Sydney Metro) that will arise in relation to these disputes.

There are some other contractual claims that have been made by contractors engaged by Sydney Metro on the City & Southwest project. Sydney Metro is currently assessing its liability in relation to these claims, the amount of which (if any) cannot be measured reliably at this time.

In addition to the above, there are a number of litigation proceedings in relation to property acquisitions for the Sydney Metro Northwest and City & Southwest projects. The amount of liability, if any, that may arise in relation to these disputes cannot be measured reliably at this time.

Sydney Metro does not have any other contingent liabilities that would significantly impact on the state of affairs of Sydney Metro or have a material effect on these financial statements.

23. Financial instruments

Sydney Metro's principal financial instruments are outlined below. These financial instruments are required to finance Sydney Metro's operations and manage forecast cash flow exposures.

Sydney Metro does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of Sydney Metro expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk, and electricity price risk). The main risks arising from these financial instruments are outlined below together with Sydney Metro'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 Board has overall responsibility for the establishment and oversight of risk management and review, and determines policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the reporting entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the entity on a continuous basis.

23. Financial instruments (cont'd)

(a) Financial instrument categories

	Note	Category	Carrying amount 2019 \$'000
Financial assets			
Class:			
Cash and cash equivalents	7	N/A	190,807
Receivables ¹	8	Amortised cost	877,950
		Fair value through profit or loss designated such at initial recognition	
Financial assets at fair value	9	Fair value through profit or loss designated such at initial recognition	20,833
			1,089,590
Financial liabilities			
Class:			
Payables ²	14	Financial liabilities measured at amortised cost	412,179
Other Liabilities	17	Financial liabilities measured at amortised cost	625
Borrowings	15	Financial liabilities measured at amortised cost	1,833,630
			2,246,434

During the year ended 30 June 2019, there were no defaults on any loans payable. The entity determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

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 Sydney Metro transfers the financial assets:

- where substantially all the risks and rewards have been transferred; or
- where Sydney Metro has not transferred substantially all the risks and rewards, if it has not retained control.

Where Sydney Metro has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset is recognised to the extent of Sydney Metro'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

Sydney Metro only uses derivatives for hedging purposes and not as trading or speculative instruments. Sydney Metro held \$20.8 million in derivative financial assets.

Foreign exchange risk management

Forward foreign exchange contracts are used to mitigate exchange rate exposure arising from firm commitments for the purchase of goods and services in foreign currency.

23. 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 9 Financial Instruments. The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective.

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

		Weighted average exchange rate AUD	Contract value AUD \$'000	Expected Cash flow			Total AUD \$'000
				No later than 3 months AUD \$'000	Later than 3 months and no later than 12 months AUD \$'000	Later than 12 months AUD \$'000	
2019	Denominated in US Dollars	0.7468	9,182	-	509	8,673	9,182
	Denominated in Euros	0.5879	146,779	-	14,767	132,012	146,779
	Denominated in Chinese Yuan	5.2359	89,643	-	8,083	81,560	89,643
	Denominated in Indian Rupee	58.5364	212,303	-	15,389	196,914	212,303
	Foreign exchange contracts	-	457,907	-	38,748	419,159	457,907
	Favourable	-	134,000	-	(1,438)	1,716	278
	Non-favourable	-	-	-	-	-	-
	Commodity hedge contracts	-	134,000	-	(1,438)	1,716	278

All derivatives are measured at fair value. Information about the exposure is provided: credit risk in Note 23(d), foreign exchange risk in Note 23(f), the methods and assumptions used in determining fair values of derivatives in Note 23(g).

Energy price risk management

Sydney Metro is exposed to energy price risk associated with the purchase of energy to operate transport services.

It is Sydney Metro'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 Sydney Metro.

Credit risk can arise from financial assets of the reporting entity, including cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables and committed transactions and derivative financial instruments. Sydney Metro holds bank guarantees for significant contractors. Sydney Metro has not granted any financial guarantees.

23. Financial instruments (cont'd)

(d) Credit risk (cont'd)

Credit risk associated with Sydney Metro's financial assets other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards.

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

Sydney Metro 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. Sydney Metro 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.

Sydney Metro applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. Sydney Metro is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Most of trade debtors are NSW Government agencies, where the risk of credit loss is not material and there is no reasonable expectation of non-recovery of receivables. Therefore, Sydney Metro's loss allowance for trade debtor as at 30 June 2019 was determined as NIL.

(e) Liquidity risk

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

During the current year, there were no defaults of loans payable and no assets have been pledged as collateral. Sydney Metro's exposure to liquidity risk is deemed insignificant based on 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.

23. Financial instruments (cont'd)

(e) Liquidity risk (cont'd)

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

	Weighted average effective int. rate (%)	Interest rate exposure				Maturity dates			
		Nominal amount \$ '000	Fixed interest rate \$ '000	Variable interest rate \$ '000	Non-interest bearing \$ '000	< 1 year \$ '000	1 - 5 years \$ '000	> 5 years \$ '000	
2019									
Payables									
Trade creditors	-	157,528	-	-	157,528	157,528	-	-	-
Accrued expenses	-	250,206	-	-	250,206	250,206	-	-	-
Personnel services payable	-	4,445	-	-	4,445	4,445	-	-	-
Other liabilities	-	625	-	-	625	-	625	-	-
Borrowings									
Financial liability	7.26	1,833,630	1,833,630	-	-	77,288	329,129	1,427,213	
	-	2,246,434	1,833,630	-	412,804	489,467	329,754	1,427,213	

23. 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. Sydney Metro's exposure to market risk is primarily through foreign exchange risks associated with overseas purchase commitments and commodity price risk associate with energy purchases.

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 Sydney Metro operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance date. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through Sydney Metro's interest bearing liabilities. Sydney Metro 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.

Sydney Metro's exposure to interest rate risk is set out in the table below:

	Carrying amount 2019 \$'000	-1%		+1%	
		Net result 2019 \$'000	Equity 2019 \$'000	Net result 2019 \$'000	Equity 2019 \$'000
Financial assets					
Cash and cash equivalents	190,807	(1,908)	(1,908)	1,908	1,908

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.

Sydney Metro manages its foreign exchange risk by entering into forward exchange contracts in accordance with the Sydney Metro risk management policies.

Foreign exchange risk related to the principal amount of overseas purchase commitments made, that are primarily denominated in Euros, Chinese Yuan, Indian Rupees 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.

Sydney Metro determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. Sydney Metro assesses whether the derivative designated in the hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

23. Financial instruments (cont'd)

(f) Market risk (cont'd)

Foreign exchange risk (cont'd)

In these hedge relationships, the primary source of expected ineffectiveness to be recognised in the income statement are the changes caused by variations between the forecast versus final currency cash flows where the individual amount is less than the designated hedge account, and or time of cash flows as a result of the negotiations.

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

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

	Contract value \$ '000	+10%		-10%	
		Net result \$ '000	Equity \$ '000	Net result \$ '000	Equity \$ '000
2019					
Denominated in US Dollars	9,182	(43)	(812)	52	992
Denominated in Euros	146,779	(647)	(12,290)	791	15,021
Denominated in Chinese Yuan	89,643	(417)	(7,925)	510	9,687
Denominated in Indian Rupee	212,303	(1,013)	(19,245)	1,238	23,522
Foreign exchange contracts	457,907	(2,120)	(40,272)	2,591	49,222

Commodity price risk

Sydney Metro is exposed to commodity price risk from electricity purchases.

Sydney Metro is exposed to electricity price risk associated with the purchase of electricity to operate to operate Metro 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 2019, the only electricity derivative financial instrument was not designated in a hedge relationship under AASB 9. This derivative is categorised as held for trading and classified in the Statement of financial position as a cash flow hedge.

Sydney Metro'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.

23. Financial instruments (cont'd)

(f) Market risk (cont'd)

Commodity price risk (cont'd)

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.

	Notional MW/h	10%		-10%	
		Net Result \$ '000	Equity \$ '000	Net Result \$ '000	Equity \$ '000
Consolidated					
Energy derivatives	134,000	9,089	-	(6,249)	-

(g) Fair value compared to carrying amount

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

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

The 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.

(h) Fair value recognised in the Statement of financial position

	Level 1 2019 \$'000	Level 2 2019 \$'000	Level 3 2019 \$'000	Total
Financial assets at fair value				
Derivative financial instruments	-	19,413	1,420	20,833
	-	19,413	1,420	20,833

Sydney Metro 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)

23. Financial instruments (cont'd)

(h) Fair value recognised in the Statement of financial position (cont'd)

Sydney Metro has assessed the fair value of its foreign exchange derivatives using quoted forward exchange rate at the reporting date that are observed directly or indirectly (Level 2).

The fair value of the energy derivative is determined as the present value of future contracted cash flows and credit adjustments (Level 3). 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.

24. Administrative restructure

Net assets and liabilities transferred to Sydney Metro were as follows:

	Total 2019 \$'000
ASSETS	
Current assets	
Receivables	216,271
Total current assets	216,271
Non-current assets	
Receivables	92,466
Property plant & equipment	
Land and buildings	7,000
Infrastructure systems	4,348,632
Other assets	2,137,461
Total non-current assets	6,585,559
Total assets	6,801,830
LIABILITIES	
Current liabilities	
Payables	398,046
Total current liabilities	398,046
Financial liabilities at fair value	1,505
Other liabilities	74,694
Total non-current liabilities	76,199
Total liabilities	474,245
Net assets	6,327,585

Following the Proclamation under the *Transport Administration Amendment (Sydney Metro) Bill 2018*, Sydney Metro was established on 1 July 2018. The assets, rights and liabilities of the Metro projects were transferred from Transport for NSW under an order issued by the Minister for Transport and Infrastructure effective on and from 1 July 2018. The Metro projects transferred under this vesting order refer to all parts of the Metro planned, under construction and/or constructed in Sydney, including Sydney Metro Northwest, Sydney Metro City & Southwest and Sydney Metro West.

25. Budget review

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

(a) Net Result

The actual net surplus result was lower than budgeted by \$61 million, due to the following:

	\$m
Net result as per budget	2,054
Variance between budget and actual comprises:	
Higher grant funding from TfNSW for the Metro Northwest project	643
Reclassification of capital cost to operating expense	(69)
Higher than budgeted depreciation expenses due to transfer of assets from RailCorp and Asset Revaluation during the year	(33)
Higher than budgeted finance expense	(11)
Higher than budgeted loss on disposal on assets	(258)
Lower than budgeted other revenue due to prior year restatement by Transport for NSW for Waterloo Integrated Station Development	(50)
Higher than budgeted interest income	38
Non-cash grant expense not included in the original budget	(322)
Other budget variances	1
Actual Net Result	1,993

(b) Assets and liabilities

The net assets were \$5,481 million higher than the original budget, due to:

	\$m
Closing net assets as per the Budget	8,115
Variance comprises	
Transfer of assets from RailCorp to Sydney Metro during the year	4,612
Revaluation increment of Metro Northwest rail assets completed during the year	645
Transfer of assets to external parties not included in the original budget	(322)
Net gains/(losses) in commodity swaps and foreign exchange	18
Receivables not included in the original budget	971
Payables not included in the original budget	(412)
Higher than budgeted depreciation on property, plant and equipment	(33)
Other variances	2
Actual net assets	13,596

(c) Cash flows

The closing cash position was \$152 million higher than budget due to:

	\$m
Closing cash and cash equivalents as per the Budget	39
Variance comprises:	
Higher than budgeted net cash flow from operating activities due to additional higher grants received	495
Higher than budgeted cash outflow from investing activities due to underbudgeted capital payment	(374)
Lower than budgeted cash outflow from financing activities due to lower repayment of finance lease liability than budgeted	31
Closing Actual cash and cash equivalents	191

26. Related party disclosures

a) Key management personnel compensation

During the year, the entity incurred \$1.1m in respect of the key management personnel services that are provided by the 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 2018-19 financial year, Sydney Metro 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:

- Grant revenue received from Transport for NSW
- Monthly reimbursements from RailCorp for the design and construction of major rail projects by Sydney Metro
- Recoupment of project and other costs incurred by Transport for NSW on behalf of Sydney Metro
- Payments for personnel services provided by Transport Service of NSW
- Payments for Transport Shared Services provided by Transport for NSW, these are charges for personnel services, finance, human resources, and information technology services.
- Payment for office accommodation rental to Transport for NSW
- Assets and liabilities transferred from Transport for NSW under the *Transport Administration Act 1988* via administrative restructure
- Assets transferred from RailCorp in relation to the Epping to Chatswood Rail Link directed by the Transport Secretary.
- Payments for services and works provided by other agencies, including Transport for NSW and Sydney Trains
- Reimbursement of Epping to Chatswood replacement bus service payments to Transport for NSW
- Contribution from Urban Growth Development Corporation for the construction of Waterloo Station

27. Trust funds

The entity holds funds in trust for compulsory land acquisition compensation payable under the Land Acquisition (Just Terms Compensation) Act 1991. As the entity performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the entity's own objectives, these funds are not recognised in the financial statements. The following is a summary of the transactions in the trust account:

	2019 \$'000
Cash balance 1 July	-
Add: Receipts	263,168
Less: Expenditure	(255,098)
Cash balance at 30 June	8,070

28. After balance date events

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

End of audited financial statements.

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