

Sydney Metro Annual Report



Volume 1
2022-23

[sydneymetro.info](https://www.sydneymetro.info)



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Front cover: Metro platform at Chatswood.

Acknowledgement of Country

Sydney Metro acknowledges the traditional custodians of the land on which we work and live.

We pay our respects to Elders past and present and celebrate the diversity of Aboriginal people and their ongoing cultures and connections to the lands and waters of NSW.

Sydney Metro is committed to honouring Aboriginal peoples' cultural and spiritual connections to the lands, waters and seas and their rich contribution to society.

Letter to the Minister

The Hon. Jo Haylen MP
Minister for Transport
Parliament House
Macquarie Street, Sydney NSW 2000

Dear Minister

On behalf of the Board of Sydney Metro, I am pleased to submit for presentation to Parliament the Annual Report for Sydney Metro for the financial year ended 30 June 2023.

The Annual Report has been prepared in accordance with the *Government Sector Finance Act 2018* and the regulations under that Act.

The Financial Statements for 2022–23, which form part of the report, have been submitted to and certified by the Auditor-General of NSW.

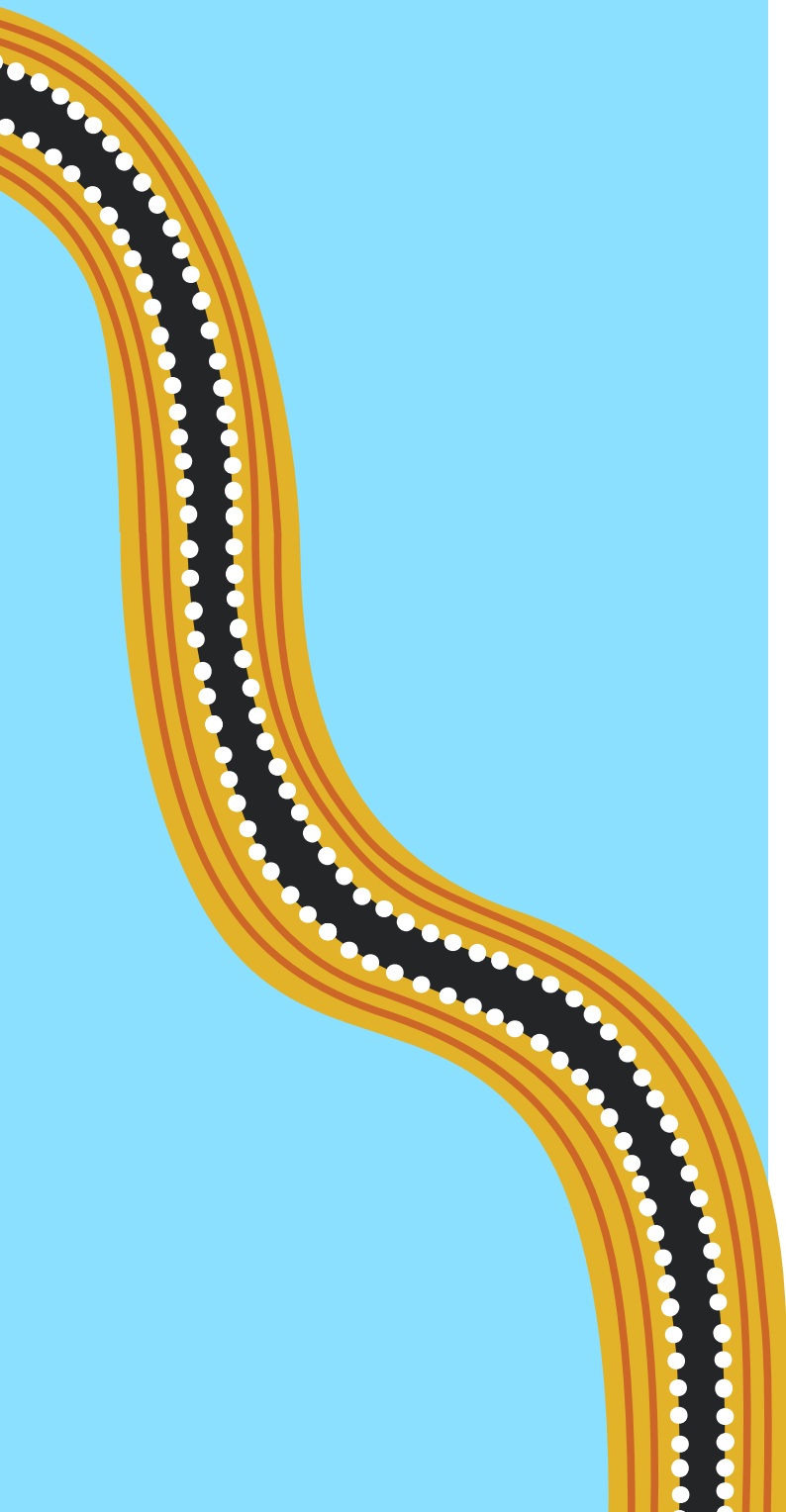
An extension to the 2022-23 annual report submission deadline, to 24 November 2023, was granted by NSW Treasury. This extension was accommodated due to the delay in finalising the audit opinion on Sydney Metro's 2022-23 financial statements.

Yours sincerely

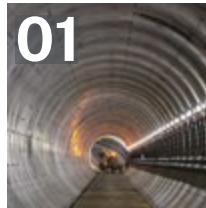


John Arthur
Chairman
Sydney Metro

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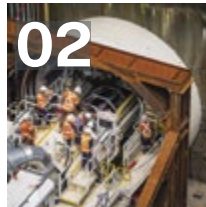
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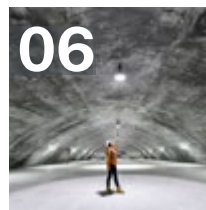
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From the Chairman and the Chief Executive

Sydney Metro's purpose is to deliver Sydney a connected metro service, providing more choice to passengers, and opportunities for our communities – now, and in the future. The delivery of three mega projects on every measure, is the biggest public transport program in the country.

Throughout 2022-23 we remained focused on our program of delivery as well as providing passengers with a safe and reliable metro service. We are pleased to report on our activities and achievements for the year and the benefits for our passengers, communities, and the people of NSW.

During 2022–23 Sydney Metro:

- Tested the first train to ever travel under Sydney Harbour in readiness for passenger services from Chatswood to Sydenham in 2024
- Opened the new North-South and Central Walk pedestrian concourses at Central Station to provide a fast and direct route for passengers to interchange between trains, buses, light rail and metro services
- Started major tunnelling on both the Sydney Metro West and Sydney Metro – Western Sydney Airport lines.
- Celebrated four years of operations on the Metro North West Line.

Sydney Metro has responded to global challenges that have impacted our supply chains, the price of materials as well as modified patronage patterns with the increase in hybrid work. In addition, protected industrial action impacted the delivery of the Sydney Metro City & Southwest line in 2022, pushing the projected opening of the Sydenham to Bankstown section of the project into 2025.

Collectively these events placed significant pressure on our delivery budget that could not be addressed wholly within our allocated resources. In response, the NSW Government committed a further \$2 billion towards the increased construction costs for the Sydney Metro City & Southwest project. This additional investment has meant that passenger services will begin in 2024 between Chatswood and Sydenham as planned.

We are saddened to report the death of a worker resulting from a workplace incident on one of our construction sites. This was the first workplace fatality on a Sydney Metro site and was deeply felt by our project teams and construction partners. This tragic incident highlights the dangers of construction and the continued vigilance required to ensure everyone goes home safe every day.



John Arthur
Chairman



Peter Regan PSM
Chief Executive

Our people continue to perform at the very highest level as we deliver Australia's biggest public transport project, winning awards for project delivery, sustainability and operations.

In April 2023 the NSW Government announced a comprehensive and independent review into Sydney Metro. We are assisting the reviewers and look forward to the final findings and recommendations being delivered to government by the end of 2023. The final report of the review will include analysis of the scope of the Metro West project which will be delivered outside the timeframe considered in this Annual Report.

We are excited about continuing to transform our city with a world-class metro and shape our communities as we prepare to welcome passengers on board the city section of Sydney Metro City & Southwest in 2024.

Yours sincerely

John Arthur
Chairman

Peter Regan PSM
Chief Executive

Our year at a glance

This year we have undertaken several exciting initiatives and projects as we put our strategy into practice. This selection from the last 12 months gives a flavour of what we've been up to, with further examples throughout the report.



Image: Peter Regan Chief Executive, Andrew Baré Deputy Director Western Sydney Airport line with Minister for Transport Jo Haylen MP at National Infrastructure Awards.

Metro wins big at National Infrastructure Awards

Metro Western Sydney Airport project won the Financial Excellence Award for the Stations, Systems, Trains, Operations & Maintenance (SSTOM) Public Private Partnership. This was in recognition of reaching financial close within budget and under challenging market conditions.

Our Northwest Operations team won the Operator & Service Provider Excellence Award. Customer satisfaction scores have remained consistently high since commencing operations, achieving 99 per cent in 2023.



Image: Train testing.

Preparing for passengers on Sydney Metro City & Southwest

Operations and project delivery teams have been working closely with our industry partners and transport colleagues to ensure the safe and successful opening in 2024 of the city section of Sydney Metro City & Southwest between Chatswood and Sydenham. In an historic event the first train to travel deep underneath Sydney Harbour took place in April 2023 as part of the testing of the new line.



Image: Installing platform screen doors at Crows Nest Station.

City and Southwest Metro Line – completed installation of platform screen doors

170 metres of platform screen doors were installed at Sydney Metro City & Southwest stations at Crows Nest, Victoria Cross, Barangaroo, Martin Place, Pitt Street, Central, Waterloo and Sydenham and interface testing was completed across all new city stations. On-track testing is underway along the 15.5 kilometre twin metro railway lines from Chatswood to Sydenham ahead of services starting through the Sydney CBD in 2024.



Image: Olympic Park construction.





Rose Nolan's contemporary public artwork 'All Alongside of Each Other' celebrates the daily passage of commuters as they move through the Sydney Metro concourse at Central Station.



Image: Spoil from other sites being delivered to the Barangaroo site to be used for the new Hickson Road construction.

Sustainability

Sydney Metro is on track to achieve a target of at least 20 per cent reduction in carbon emissions associated with construction across all projects compared to business-as-usual construction practices.



Image: Work continues on the station box and service shaft at Sydney Metro's new Airport Terminal Station.

Central station North-South and Central Walk concourses open

The transformation of Central Station in preparation for Metro services in 2024 continued with the North-South and Central Walk concourses opening to passengers, giving commuters better access in and around Australia's biggest railway station. A 113 metre by 19 metre artwork by artist Rose Nolan called 'All Alongside of Each Other' now takes pride of place as part of a once-in-a-century upgrade to the landmark station.



Image: Central Station – North-South and Central Walk concourses.



Image: Victoria Cross Station.



Image: Sydney Metro's train sets undergo on-track dynamic train testing for the first time on the new multi-billion-dollar City & Southwest line.



Image: Establishment of site at the Sydney Metro Western Sydney Airport project.

Sydney Metro – Western Sydney Airport creating jobs

In April 2023, we were excited to announce that heavy civil works and major tunnelling on Sydney Metro – Western Sydney Airport had begun with the first of four tunnel boring machines (TBMs) on the project making its 5.5 kilometres journey from the future Airport Business Park Station to arrive at the Aerotropolis in mid-2024.

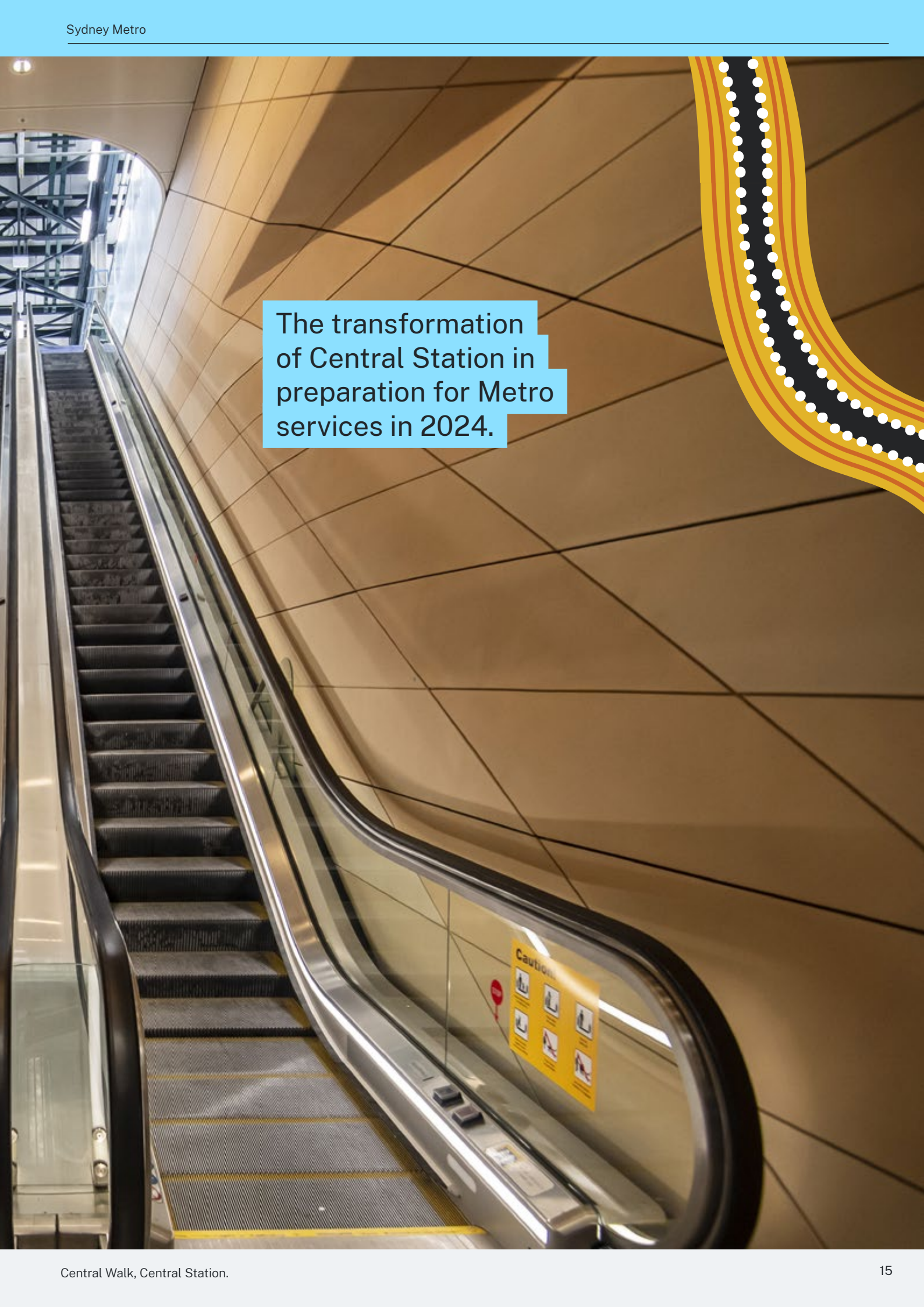
This project will support more than 14,000 jobs during construction, including 250 new apprentices, with at least 20 per cent of the contract workforce coming from local communities.

People achievements

This year we enabled our people to return voluntarily to the office by maintaining COVID-19 safe workplace practices such as maintaining office capacity restrictions, encouraging physical distancing, and sanitising workspaces and offices, in accordance with advice from Transport for NSW (TfNSW) and NSW Health.

The People Matter Employee Survey 2022 tells us that 87 per cent of our people feel proud to work for Sydney Metro.





The transformation of Central Station in preparation for Metro services in 2024.

01

Overview

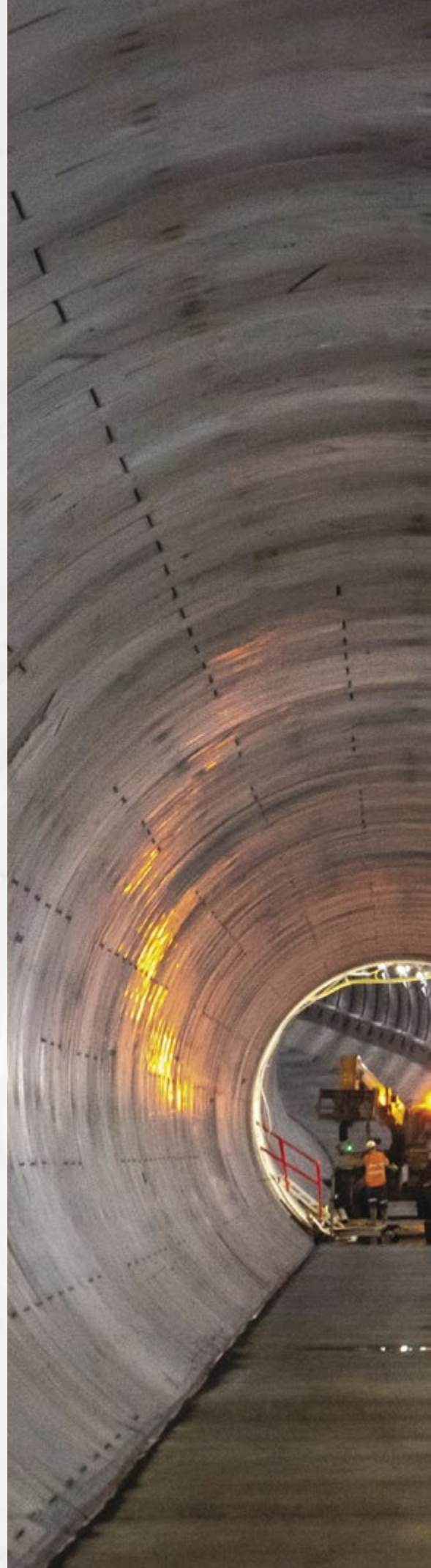




Image: Tunnel under Sydney Harbour.

1.1 Our business at a glance

Our role and mandate

Sydney Metro is a NSW Government agency constituted under the *Transport Administration Act 1988* (TAA). Sydney Metro was established on 1 July 2018. Before 1 July 2018, Sydney Metro was a delivery office of TfNSW.

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:

1. to be a successful business and, to that end:
 - a. to operate at least as efficiently as any comparable business; and
 - b. to maximise the net worth of the State's investment in the metro;
2. to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates;
3. 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*.

Our values

Our values are the compass that guide us as we work together to navigate the challenges and opportunities ahead of us.



Safety & Wellbeing

We think 'safety' and act safely. We strive for a healthy work-life balance and extend our caring approach to each other, the environment and the community in which we work



Collaboration

We create positive relationships – proactively solving problems and achieving with each other, our passengers, stakeholders and partners



Integrity

We listen and act with integrity, respect decisions and opinions of others and promote mutual respect and trust



Innovation

We are leading edge, creative and forward thinking. We deliver sustainable and innovative solutions. We are committed to our continual improvement delivering effective outcomes



Excellence

We take pride in being passenger-centric. We are efficient and adaptable and make timely, risk-informed decisions. Together, we aim for excellence in delivery and a sustainable future



Achievement

We support each other to meet priorities, delivering outcomes for our passengers and stakeholders. We are accountable, adaptable and always ready to take ownership

Who we are



Our vision

To transform Sydney with a world-class metro.



Our mission

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



Our governance

Strategically guided, directed and overseen by the Sydney Metro Board.



The sum of us all

Sydney Metro currently has 1319 employees. Approximately 40 per cent of senior leadership roles are held by women.



Image: Metro train.

1.2 Our stakeholders



Our Passengers



Our Communities



Our Partners

Who they are

At Sydney Metro we define our passengers as everyone who interacts with our precincts, stations, staff and services.

Our communities are diverse and include special interest and community groups, industry associations and peak bodies, First Nations peoples, culturally and linguistically diverse communities, businesses and local residents.

Delivery partners, contractors, suppliers, professional service providers, rail operators, academic institutions.

Why we engage

As a government entity we are responsible for delivering and operating a metro service for the public. We do this by understanding our passengers' needs and behaviours and incorporating this into everything we do.

Our considerable construction and operational footprint in Sydney means that our community stakeholders are diverse with a range of interests and needs. We engage throughout the delivery of our projects from planning to operations.

We build and foster relationships with community stakeholders to understand the issues that matter to them and how we can shape our approach to deliver better outcomes for everybody.

We are committed to being a good client to foster sustainable relationships to ensure public value. We collaborate with our partners, learning from and with them to enhance the quality of our outcomes and services.

How we engage

Sydney Metro conducts surveys and monitors patronage to gather insights and feedback. To provide an easy passenger experience, we use a customer centred design.

Sydney Metro is committed to building relationships through face-to-face and digital engagement. Our client teams actively manage relationships and maintain open dialogue with clients. We also conduct client satisfaction surveys and participate in industry and client forums to stay connected and responsive to their needs. Additionally, we organise various events and engage in market research to stay at the forefront of industry trends.

Our tendering processes and formal evaluation of suppliers are conducted in accordance with the NSW government tender evaluation process. This includes carrying out surveys and engaging in conversations with individual suppliers to ensure their compliance.



Our People

Our people who work for Sydney Metro –employees, labour hire, contractors.

Our people are the most valuable resource and the key to delivering high quality outcomes and services.

We engage our people through various internal communications tools including the People Matter Employee Survey, pulse surveys, all staff meetings and joining together for significant days and events such as NAIDOC week.



Government and regulators

NSW Parliament, TfNSW, NSW Treasury, Infrastructure NSW, NSW Department of Planning and Environment, Office of the National Rail Safety Regulator, SafeWork and other Federal and State agencies and Local Councils.

Public policy, regulation and investment define the environment in which we operate. Working together enables us to work safely and efficiently to create greater value for the people of NSW.

Directly engaging with other government agencies and regulators by participating in consultations, contributing to parliamentary inquiries, and taking part in research.

We are committed to providing an integrated metro service for Sydney, offering passengers increased options and fostering opportunities for our communities both now and into the future.

The scale and breadth of our activity mean our network of relationships and stakeholders is varied and broad. By working together, we can be more effective. This is the reason why Sydney Metro collaborates with a diverse range of stakeholders to understand their needs to optimise value for the people of NSW.

Delivering for our passengers

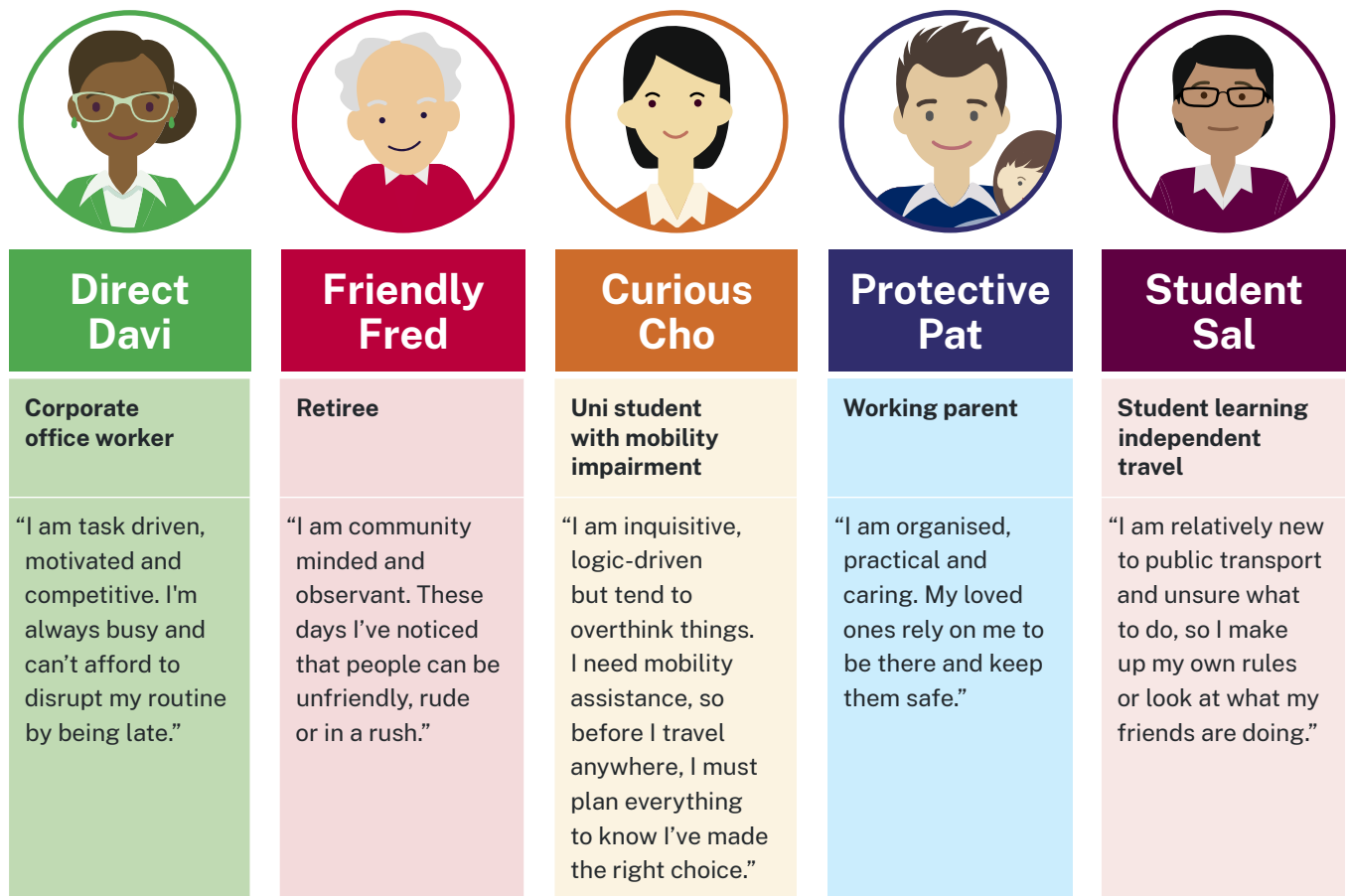
Passengers are at the heart of all project planning, design and delivery decisions.

Passenger personas are a key customer experience tool which is used by Sydney Metro throughout design and procurement. Personas are an efficient way to build empathy amongst designers, architects and operators creating fluency between Sydney Metro and multiple suppliers. Over the longer term they create consistency of product between projects.

This year Sydney Metro introduced a fifth persona, Student Sal, (see Figure 1) to our passenger centred design framework which represents different types of passengers based on behaviours and attitudes. From patronage data and research, we know that:

- Student patronage has recovered to pre-Covid restriction levels demonstrating the resilience and role of public transport in supporting their travel patterns
- Approximately 35 per cent of passengers on the Metro North West Line during the afternoon peak (3pm to 4pm) are students
- Students often travel with their friends in groups and cluster in waiting areas, carry big bags, have less capacity to deal with disruption especially on the way to school, behave differently in morning peak to the afternoon peak and feel scrutinised by other passengers.

Figure 1: Meet our Sydney Metro passengers.



Customer centred design and the use of virtual reality testing

Virtual Reality (VR) testing enables Sydney Metro to simulate the passenger experience in trains, station designs and precincts, immersing passengers in a virtual environment to observe their behaviours. This allows us to test various design aspects, such as the layout of lifts and escalators, placement of information and wayfinding, intuitive navigation and crowd management. Designers can test station designs with passengers before construction begins, allowing for refinements and improvements to the passenger experience. Some examples of VR testing conducted during 2022-23 are outlined below:

Sydney Metro City & Southwest

More than 2,000 VR testing sessions have taken place, providing more than 500 insights. By the end of June 2023, 92 per cent of feedback had been resolved, including improvements to station design legibility, accessibility, safety, comfort and convenience. We are on track to address the remaining eight per cent before operations begin on the city section of Sydney Metro City & Southwest in 2024.

Sydney Metro West

The project has completed more than 550 VR sessions over nine stations during the early design phases. More than 1,000 feedback areas emerged from the first stage of finding.

Sydney Metro – Western Sydney Airport

The VR testing program started in 2023, with plans to conduct 660 additional VR sessions for six new stations and 90 VR sessions for our new train fleet. Early-stage train VR testing has identified 50 feedback areas which are under review to improve the seating layout, luggage storage options and accessibility for passengers living with a disability.



Image: A participant in VR testing for Sydney Metro West.

1.3 Our place in Transport

Sydney Metro operates within the general government sector. It is a corporation constituted under the TAA and is administratively arranged within the Transport sector.

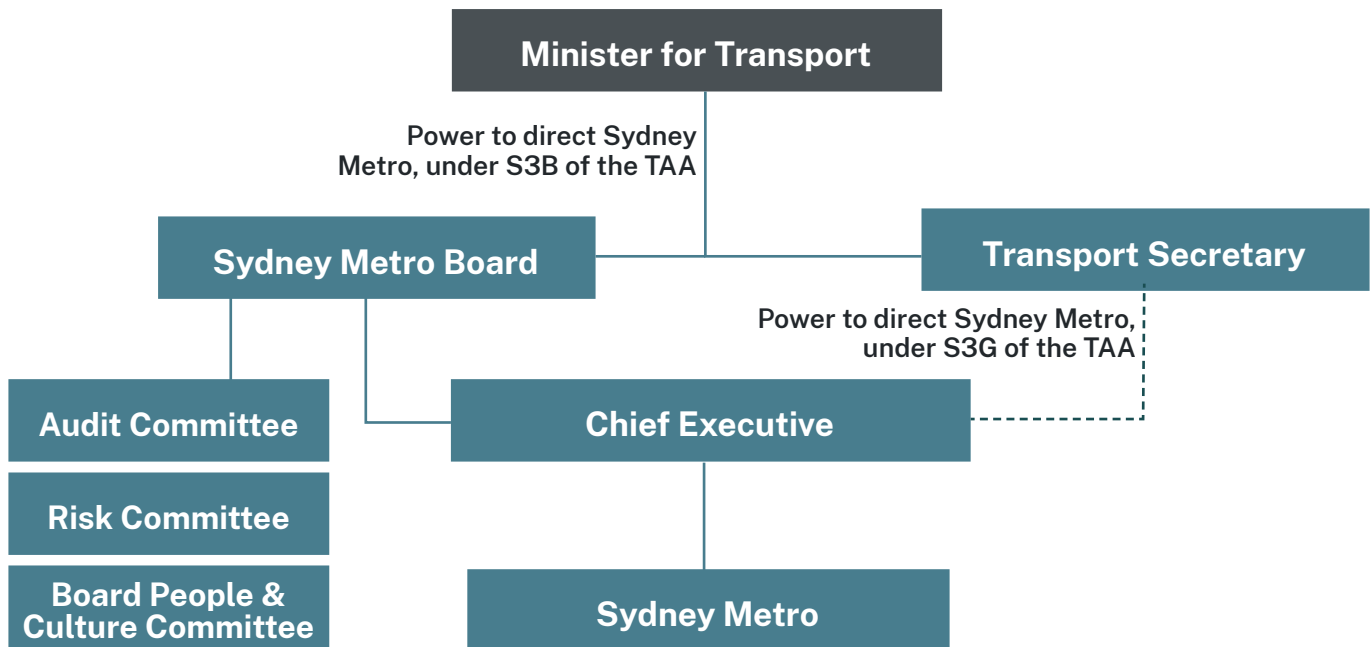
We act in close partnership with our colleagues and other operating agencies to collectively deliver an easy-to-use, integrated public transport service for NSW.

TfNSW takes the lead role in the development of a safe, efficient, integrated transport system that keeps people and goods moving, connects communities and shapes

the future of our cities, centres and regions. The Secretary is accountable for the functioning of TfNSW and leading the strategic direction and overseeing its operation and performance. TfNSW may, for the purposes of exercising its own functions, give directions to Sydney Metro in relation to the exercise of Sydney Metro’s functions under section 3G of the TAA.

The figure below shows Sydney Metro’s governance structure within the broader Transport context.

Figure 2: Sydney Metro’s governance structure.



1.4 Management and structure

Sydney Metro Board

Sydney Metro is strategically guided and overseen by a Board which provides direction, advice, and guidance to the Chief Executive. The Board governs Sydney Metro by setting the strategic direction, making key decisions, and appointing a Chief Executive for the day-to-day running of the organisation in accordance with a Board-approved delegation framework.

Consistent with this, decisions relating to the functions of Sydney Metro are made under the authority of the Sydney Metro Board.

The Sydney Metro Board is established in accordance with section 38F and Schedule 2B of the 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. One additional director may be appointed by the Secretary of TfNSW. One of the Minister's appointees is to be specifically appointed by the Minister to chair the Board.

Table 1: Sydney Metro Board members for the year ended 30 June 2023.

Name	Position	Qualification
John Arthur	Chairman Ex-officio member of Board Committees	Bachelor of Laws Hons
John Barraclough	Director Member, Board Risk Committee	Bachelor of Engineering (Civil) Hons
Howard Collins OBE	Director Member, Board People & Culture Committee	Master of Business Administration (UK) Diploma in Management Studies Fellow of the Institution of Civil Engineers Fellow of Institute of Directors (UK) Fellow of the Institute of Railway Operators (UK) Member of Institute of Advanced Motorists (UK)
Bob McKinnon	Director Chairman, Board Audit Committee Member, Board Risk Committee	Bachelor of Commerce (Accounting, Finance and Systems) Member, Chartered Accountants Australia and New Zealand Member, Australian Institute of Company Directors
Thao Oakey	Director Member, Board People & Culture Committee Member, Board Risk Committee	Bachelor of Economics (Actuarial) Graduate of Australian Institute of Company Directors
Gail Pemberton AO	Director Chairman, Board People & Culture Committee Member, Board Audit Committee	Master of Arts, University of Technology Graduate Certificate in Finance Fellow, Australian Institute of Company Directors
Louise Thurgood	Director Chairman, Board Risk Committee Member, Board Audit Committee	Master of Business Administration Bachelor of Arts (Economics) Hons Graduate Diploma in Finance

John Arthur, Chairman

John Arthur is a highly experienced executive, director and advisor across a broad range of industries, including experience as Chairman and later Chief Executive Officer of Investa Property Group, Chief Operating Officer of Westpac, General Counsel of listed entities in two industries, Chairman of legal firm Gilbert + Tobin, service on listed and unlisted company boards, advisor on governance and probity issues, and legal and commercial advisor to CEOs, chairmen, executive teams and boards.

John is currently Chairman of Sydney Metro effective 1 July 2019, and a non-executive director of Singapore Telecommunications Limited effective 1 January 2022.

John Barraclough, Director

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

Howard Collins OBE, Director

Howard Collins OBE is a highly experienced Transport Executive who has spent more than 46 years working in the British and Australian transport industries.

He was previously the Chief Operating Officer of the London Underground, had a 35-year career with London Transport and his achievements included the development of an integrated transport system with Transport for London. In 2013, he was made an Officer of the Order of the British Empire (OBE) in recognition of his success as the Lead Director for the London Underground and London Rail for the 2012 Olympic Games and for services to Public Transport. Howard was also responsible for the restoration and recovery of the London Underground following the 2005 London bombings. He was a member of the British Transport Police Authority.

Having previously held the positions of Chief Executive Sydney Trains and Chief Operations Officer (COO) for TfNSW, in August 2023 Howard Collins was appointed to the position of Coordinator-General (CG) Transport for New South Wales. As CG Howard is responsible for overseeing operations for public transport, roads, and maritime services. During his long and distinguished career Howard has been involved in operations management, disaster recovery, operational planning, employee relations, business

transformation and project portfolio management including commissioning and opening new railways. In addition to his TfNSW roles, Howard is on the Boards of the Australasian Railway Association (ARA), TrackSAFE Foundation, Transport Heritage New South Wales and Sydney Metro.

Bob McKinnon, Director

Bob McKinnon has over 40 years' experience as a senior executive and as a director in the financial services, property and technology sectors. He is currently a Director of Mirin Digital, a boutique technology advisory firm, and is also a Non-Executive Director of several other companies in the financial services and engineering sectors, including Cherrie Civil Engineering and Cloudfloat Holdings Pty Ltd.

Bob's multi-faceted and unique career allows him to bring a range of specialist expertise to the Board. His previous senior executive roles included Group Executive, Technology and Chief Information Officer of Westpac Group (2008–2011) and Commonwealth Bank of Australia (2000–2006), Joint Managing Director and Chief Financial Officer of Brookfield Multiplex Group, Chief Executive of State Street Australia, Chief General Manager and Chief Financial Officer of MLC Group and Chief Financial Officer of Lend Lease Corporation. Previous Board roles included Non-Executive Director and Audit Committee Chair of Alesco Corporation, Chair of New Payments Platform Australia and Non-Executive Director of AMP Capital Funds Management & AMP Investment Services.

Bob McKinnon is currently the chairman of the Board Audit Committee.

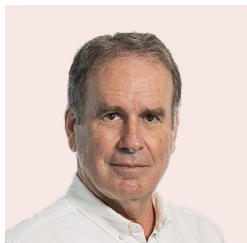
Thao Oakey, Director

Thao Oakey has over 25 years of experience in major infrastructure financing, development, and operations, including 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).

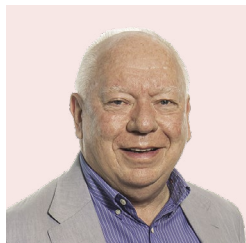
Thao has an in-depth understanding of project finance and development, mergers and acquisitions, project risk allocation and risk management.

Thao is currently a Non-Executive Director of Utilities of Australia Pty Limited, trustee of Utilities of Australia Trust, and the Worsley multi-fuel co-generation facility (WA). Her prior board experience includes Westlink M7, SA Health Partnership, WestConnex M4 and Wellington Gateway Partnership.

Sydney Metro Board of Directors as at 30 June 2023.



John Arthur
Chairman



Bob McKinnon



Gail Pemberton



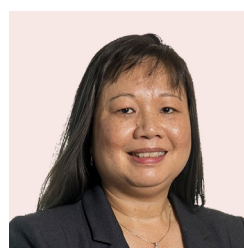
Howard Collins



Louise Thurgood



John Barraclough



Thao Oakey

Gail Pemberton AO, Director

Gail Pemberton's extensive career has had a central focus on technology, technology-intensive businesses, and financial services in a variety of C-level roles. These included Chief Operating Officer UK at BNP Paribas Securities and CEO and Managing Director, BNP Paribas Securities Services, Australia and New Zealand. Prior to PNB Paribas, Gail worked at Macquarie Bank for 20 years, holding the role of the inaugural Group Chief Information Officer for 12 years and subsequently as Chief Operating Officer of the Financial Services Group.

Gail's current board roles include Chair of Fleet Partners (ASX: FPR) (formerly known as Eclipx) and Chair of Propsa (ASX: PGL), Non-Executive Director of HSBC Australia; Symbio (ASX: SYM) and Industry Fund HESTA Land Services (WA).

She has previously served on a variety of boards over the past decade, both ASX listed and unlisted, and in the private, public and non-for-profit sectors, variously as Board Chair, Remuneration and Nomination Committee Chairs, including Onevue (ASX: OVH), PayPal Australia, QIC, and the Sydney Opera House Trust.

Gail Pemberton is the chairman for the Board People and Culture committee.

Louise Thurgood, Director

Louise Thurgood has over 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.

Louise is currently Non-Executive Director, Silk Logistics Holdings Ltd and Belvoir Street Theatre and Deputy Chair of Inland Rail.

Louise is also a member of Global Access Partners National Standing Committee on the Environment and Energy, and co-founder and Executive Chair of Orion Mechanical Services. Past roles have included Non-Executive Director of Moorebank Intermodal Company, membership of the Heritage Council of NSW, and Chair of several non-for-profit boards.

Louise Thurgood is the chairman for the Board Risk Committee.

Term of Appointment of Sydney Metro Directors.

Member	Term of appointment
John Arthur	1 January 2019 – 31 December 2023
John Barraclough	1 July 2020 – 30 June 2021 1 July 2021 – 30 June 2023 1 July 2023 – 30 June 2025
Howard Collins OBE	5 July 2021 – 30 June 2024
Bob McKinnon	5 July 2021 – 30 June 2024
Thao Oakey	1 January 2019 – 31 December 2023
Gail Pemberton AO	11 July 2019 – 30 June 2020 1 July 2020 – 30 June 2023 1 July 2023 – 30 June 2025
Louise Thurgood	1 January 2019 – 31 December 2022 1 January 2023 – 31 December 2025

Table 3: Board meeting attendance for the year ended 30 June 2023.

Director	Scheduled Board meeting		Ad-hoc Board meeting		Total Board meeting	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
John Arthur	11	11	8	8	19	19
John Barraclough	11	11	8	7	19	18
Howard Collins OBE	11	10	8	6	19	16
Bob McKinnon	11	10	8	6	19	16
Thao Oakey	11	10	8	7	19	17
Gail Pemberton AO	11	10	8	7	19	17
Louise Thurgood	11	11	8	8	19	19

The Board may appoint advisory Committees in accordance with section 38J of the TAA for the purposes of advising and assisting the Board and Sydney Metro¹. Board Committees may be standing Committees, or special purpose Committees appointed on an ad hoc basis. The Board Chairman is an ex officio member of the Committees. The Board has the following standing Committees:

- **Board Audit Committee** – provides assistance to Management and the Board by monitoring, reviewing and providing advice about Sydney Metro’s governance procedures, the integrity of Sydney Metro’s financial reporting, and its external accountability obligations. The Committee consists of at least three members appointed by the Board for the tenure specified by the Board.
- **Board Risk Committee** – provides assistance to Management and the Board by monitoring, reviewing and providing advice about Sydney Metro’s risk management and control frameworks, and their implementation. The Committee consists of at least three members appointed by the Board for the tenure specified.
- **Board People and Culture Committee** – assists Management and the Board in fulfilling its role in relation to Sydney Metro’s workforce culture and remuneration, recruitment and retention practices, policies and procedures and makes recommendation regarding the composition and performance of the Board. One of the members (who is not the Board Chairman) is appointed by the Board as the Committee Chairman.

¹ Sydney Metro may delegate functions that are currently required to be exercised by a quorum of the Board, to a smaller group of Board members that form a Committee of the Board (a Board Committee). All Board Committees will be comprised of at least three Board Members and the delegation exercised by those persons jointly. These members are “authorised persons” under section 38M(3)(b) of the Act. This is necessary because Board members are not members of staff of Sydney Metro, so are not classified as “authorised persons” under s38M(3)(a) of the Act.

The table below summarises Board Committee attendance for the year ended 30 June 2023.

Table 4: Committee meeting attendance for the year ended 30 June 2023.

Director	Board Audit and Risk Committee ²		Board Risk Committee		Board Audit Committee		Board People & Culture Committee		Board Special Committees	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
John Arthur	2	2	2	2	2	2	4	4	3	3
John Barraclough	-	-	2	2	-	-	-	-	3	3
Howard Collins OBE	-	-	-	-	-	-	4	3	-	-
Bob McKinnon	2	2	2	1	2	1	-	-	-	-
Thao Oakey	-	-	2	2	-	-	4	4	3	3
Gail Pemberton AO	2	1	-	-	2	2	4	4	-	-
Louise Thurgood	2	2	2	2	2	2	-	-	-	-

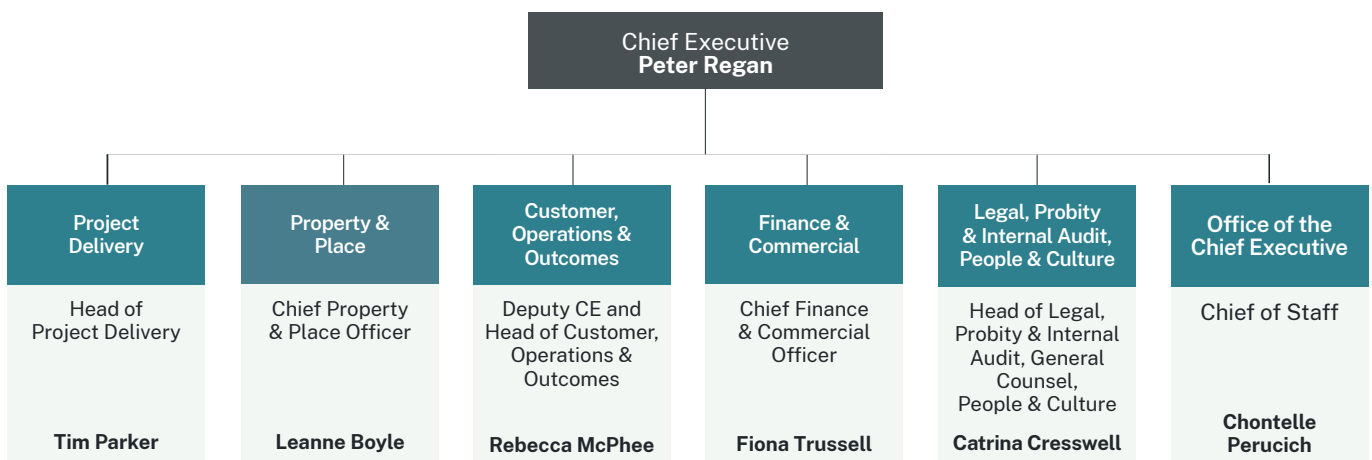
Chief Executive and senior leadership

Under the Act, the Chief Executive is employed in the Transport Service and the Board exercises the employer functions of the NSW Government in relation to the Chief Executive. In practical effect, the Board is the appointer and employer of the Chief Executive. Under section 381(2) of the Act, the Chief Executive is responsible for the day-to-day management of the affairs of Sydney Metro subject to the specific policies and general directions (decisions) of the Sydney Metro Board. The Chief Executive may only exercise this responsibility to the extent authorised by the Board.

Our people

Sydney Metro staff are employed by the NSW Government in the Transport Service. The Transport Secretary exercises the employer functions on behalf of the NSW Government for staff in the Transport Service, unless otherwise specified in legislation, for example the Sydney Metro Chief Executive. The Transport Secretary may delegate employer functions. These are set out in the TfNSW Employment and Industrial Relations delegations instrument. As at 30 June 2023, Sydney Metro directly employed 1,319 staff.

Figure 3: Sydney Metro Executive structure as of 30 June 2023.



² The Board Risk Committee and the Board Audit Committee was established in compliance with the Minister for Transport Determination issued on 19 September 2022 which exempted Sydney Metro from compliance with Core Requirement 3.1 and 3.2 of the Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08).

02

Strategy



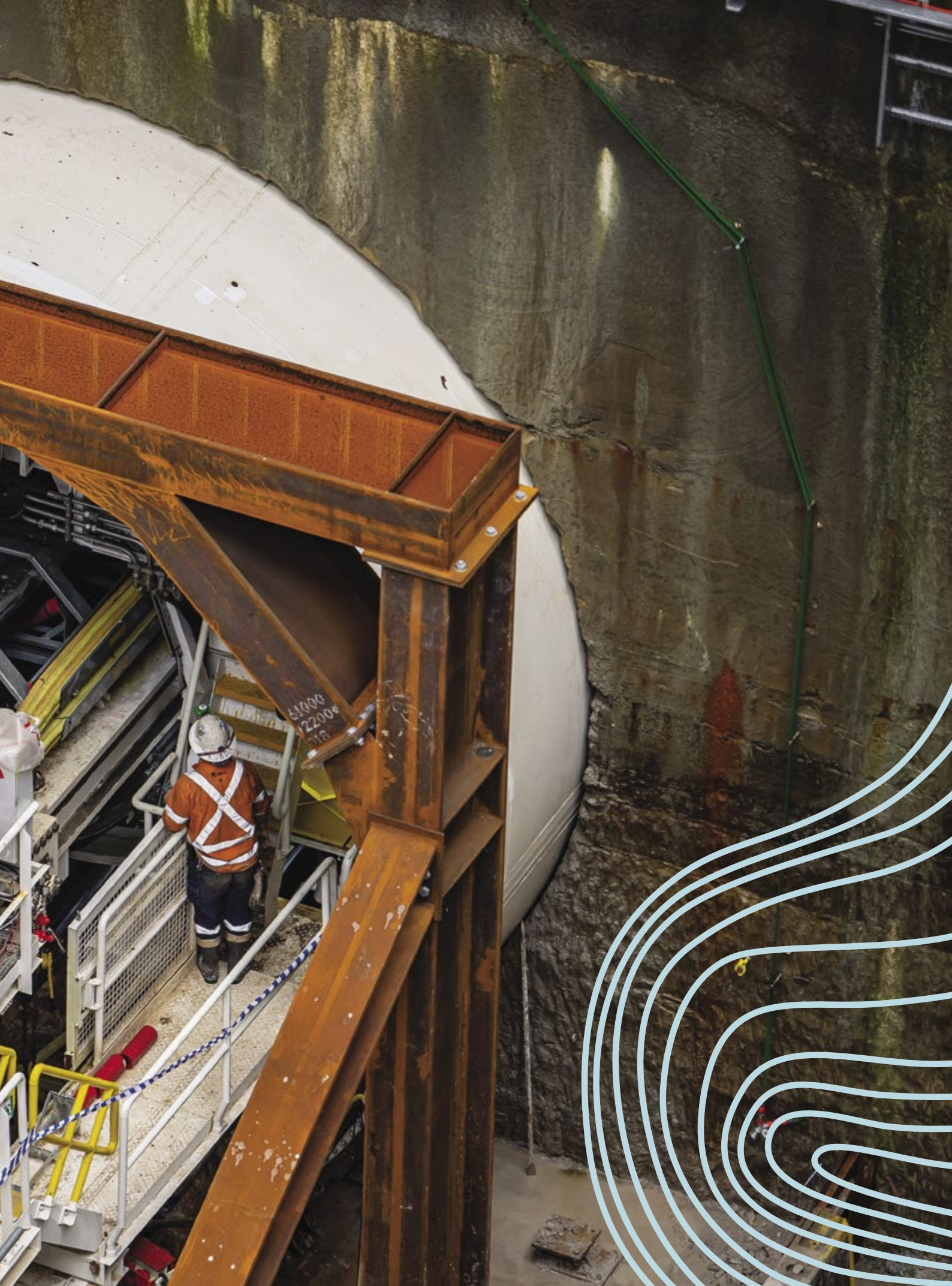


Image: Tunnel Boring Machine Daphne continues its early progress at Sydney Metro's The Bays station site.

2.1 Our strategic priorities

Future Transport Strategy

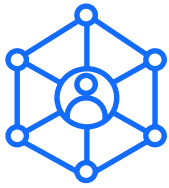
Sydney Metro's strategic direction is guided by external and internal strategies and plans, including Sydney Metro's legislative mandate, the NSW Government's commitments and vision, Commonwealth drivers and Future Transport. These help guide Sydney Metro's priorities and efforts towards achieving the right outcomes for customers, communities and the people of NSW.

Future Transport is a suite of strategies and plans that set the vision, directions and principles for customer mobility in NSW, guiding transport investment over the longer term. It presents a glimpse of large economic and societal shifts, and rapid changes in technology and innovation, behind our creation and maintenance of a world-class, safe, efficient, and reliable transport system. During the past financial year, TfNSW updated the Future Transport Strategy to reflect changes in local and global trends. The updated strategy was released in September 2022.

The metro network in Sydney delivers the necessary step change in rail infrastructure to deliver the NSW Government's aim of 30-minute cities. By providing safe, fast and frequent, turn-up-and-go services, Sydney Metro will make our city an easier and quicker place to get around, and make destinations across the cities more accessible.

Transport Outcomes

Transport strategies and plans are underpinned by our Transport Outcomes which describe the value created for passengers, communities, the people of NSW and our people. TfNSW is aligning its efforts to deliver the outcomes and enable the budgets to be allocated at an outcomes level across the portfolio to ensure the right things are delivered. The outcomes are being used by TfNSW to turn its strategies and aspirations into deliverable plans ensuring it is achieving real outcomes for people. These plans will be supported by indicators and targets that help monitor and assess progress towards supporting the outcomes.



Customers

Connecting our customers' whole lives



Communities

Successful places for communities



People of NSW

Transport systems and solutions enabling economic activity



People of Transport

Thriving people doing meaningful work

Transport's outcomes set the medium-term direction to deliver on the Future Transport Strategy. The table below shows how Sydney Metro's strategic objectives support the achievement of Transport outcomes.

Table 5: How Sydney Metro's strategic objectives align with TfNSW outcomes.

Sydney Metro strategic objectives	Transport's Outcomes			
	Connecting our customers' whole lives	Successful places for communities	Transport systems and solutions enabling economic activity	Thriving people doing meaningful work
Delivery commitments	●	●	●	
Successful engagement		●	●	●
Operational excellence	●	●		●
Financial responsibility			●	
Organisational capability			●	●

2.2 Sydney Metro’s strategic objectives

Our strategic objectives and key areas of focus are set out in our Corporate Plan.

Sydney Metro’s strategic objectives.

 <p>Delivery commitments</p>	 <p>Successful engagement</p>	 <p>Operational excellence</p>	 <p>Financial responsibility</p>	 <p>Organisational capability</p>
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We will deliver high quality Metro infrastructure and places – safely, on time and on budget.

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

We will work with partners, keeping customers at the centre of everything we do, to deliver a world-class, integrated metro.

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

We will attract, nurture and develop a talented, diverse and innovative workforce who are enabled by fit-for-purpose systems and processes, and highly capable delivery partners.

Our strategic focus

Delivery commitments

- Keeping our people, partners and passengers, safe and secure: Across our projects and operations, work with industry to drive positive health, safety and security outcomes that keep our people and passengers safe and secure from serious injuries and illness.
- Realisation of benefits and successful place outcomes: Focus on the achievement of benefits identified within business cases and continue the design and creation of vibrant places around our stations through delivery and operations.
- Maturing our portfolio management practices: Maximise outcomes and drive efficiencies in infrastructure delivery through:
 - Supporting the Sydney Metro City & Southwest, Sydney Metro West, and Sydney Metro –Western Sydney Airport projects in delivery phase, with a strong focus on budget and compliance
 - Continually improving and maturing knowledge-management practices to share learnings and gain insights from operations and global peers to inform our projects
 - Refining systems, processes and procedures to effectively support the scale of our portfolio management approach.

Successful engagement

- **Enhancing our profile:** Communicate a compelling vision for Sydney Metro.
- **Forging strong relationships:** Strengthen relationships with existing and new stakeholders and with our communities.
- **Planning future networks:** Plan and integrate future world-class metro networks.
- **Ensuring genuine collaboration:** Collaborate with our market, industry partners and suppliers, facilitating optimal outcomes to finalise the delivery of the Sydney Metro City & Southwest project and the procurement and delivery of Sydney Metro West and Sydney Metro – Western Sydney Airport projects.

Operational excellence

- **Partnering for high performance:** Achieve all operational performance targets and maintain high levels of customer service, with positive customer, government and local community sentiment.
- **Activating our precincts:** Achieve timely and vibrant activation of our precincts, in line with our integrated transport and land use vision.
- **Assuring operational readiness of our second line:** As we prepare to transition the Sydney Metro City & Southwest project from delivery to operation.
- **Enhancing the security of systems and stations:** Safeguard the physical and cyber security of our networks.

Financial responsibility

- **Stewarding the investment in metro:** Efficiently manage project capital budgets.
- **Optimising opportunities during and post COVID-19:** Deliver farebox and other revenue growth.
- **Ensuring financial control and compliance:** Drive financial control and achieve compliance with laws, regulations and government requirements through effective governance, policies, systems and processes.
- **Being an informed and active client:** Drive value-for-money initiatives that optimise collaboration and commercial outcomes with our industry and delivery partners.
- **Managing our assets effectively:** Manage our property and operational asset base from a commercially prudent, whole-of-life perspective.

Organisational capability

- **Growing capabilities and careers:** Support the growth of our business, the wellbeing of our people and build a high-performing, engaged and diverse workforce.
- **Working smarter:** Continuously improve our systems, services, processes and procedures to realise efficiencies and enhance affordability through fit-for-purpose business solutions.
- **Servicing the needs of our business:** Respond to evolving business requirements by maturing our portfolio management approach.
- **Having a balanced appetite for risk and opportunities:** Understand and balance our risk appetite and maximise sustainable opportunities to attract capable delivery and operating partners while driving value-for money and long-term customer outcomes.
- **Partnering to shape industry:** Contribute to the achievement of the 'NSW Government Action Plan: A ten point commitment to the construction sector' through innovative and robust capability development plans that respond to industry trends and needs.

03

Operations and performance





Image: Commuters at Chatswood Station.

3.1 Key highlights



Image: North West safety doors.



Image: Platform screen doors being installed at Crows Nest.



Image: Concrete works at the site of Sydney Metro's station at St Marys.



Staff engagement

In 2022, our People Matters Employee Survey engagement score remained steady at 74 per cent and well above the NSW public sector score of 64 per cent.

74%



Diversity and Inclusion

Women hold 39.8 per cent of our leadership positions which aligns to TfNSW's commitment to achieve 40 per cent of women in leadership positions by 2025.

39.8%

North West Line

Customer satisfaction scores have remained consistently high since commencing operations, achieving 99 per cent in 2023.

City and Southwest Metro Line – completed installation of platform screen doors

Installed 170 metres of platform screen doors at Sydney Metro City & Southwest stations at Crows Nest, Victoria Cross, Barangaroo, Martin Place, Pitt Street, Central, Waterloo and Sydenham and completed interface testing across all new city stations. On-track testing is currently underway along the 15.5 kilometre twin metro railway lines from Chatswood to Sydenham ahead of services starting through the Sydney CBD in 2024.

Sydney Metro – Western Sydney Airport – creating jobs

Tunnelling has started on the new Sydney Metro – Western Sydney Airport project. The project will support more than 14,000 jobs during construction, including 250 new apprentices, with at least 20 per cent of the contract workforce coming from local communities.



Opening of North-South and Central Walk concourses. The concourses will provide a fast and direct route for passengers switching from trains, buses and light rail services at Central Station when open in 2024.

3.2 Connecting our customers' whole lives

Metro North West Line

Sydney Metro delivered its fourth year of operations on the Metro North West Line during 2022-23. The line experienced very strong patronage growth during the year, with boardings up 85 per cent compared with 2021-22, due to a surge in passengers returning to in-person work and school following the end of COVID-19 restrictions.

In 2022-23 the Metro North West Line continued to deliver strong operational performance and customer satisfaction outcomes, while continually responding to the demands of passengers, and meeting the operational requirements of integrating with the Sydney Metro City & Southwest project.

Since the first passenger service on 26 May 2019, a total of over 15.2 million kilometres and 435,000 services have been delivered. Patronage on the Metro North West Line reached 65.7 million, despite a sustained period of reduced patronage due to COVID-19.

Table 6: Metro North West Line performance (2022-23).

Measure	2021-22	2022-23
Customer satisfaction	98%	99%
Services delivered	99.80%	99.59%
Headway within tolerance	99.49%	99.25%
Journey time within 37 minutes	97.93%	98.84%
Patronage*	10.7 million	19.7 million
Services	90,398	111,170
Service kilometres	3.19 million	3.88 million

* This does not take into account adjustments for fare evasion, school students and fare free concessions



Customer satisfaction

Passenger satisfaction on the Metro North West Line demonstrates the level of service excellence provided by the turn-up-and-go service delivered to the North West region of Sydney. Independent surveys are conducted every quarter and provide valuable insights for Sydney Metro to continually uplift the areas that our passengers value the most.

The November 2022 and May 2023 customer satisfaction index for Sydney Metro measured at 97 per cent and 99 per cent respectively. Sydney Metro passengers were most satisfied with safety and security, ticketing, and cleanliness.



98.7%
payment options available



98.6%
Feeling safe at the station



98.4%
Service turning up on time



98.3%
Ease of getting on and off




Image: In preparation for Metro services at Central Station escalators have been installed to provide convenient access to suburban platforms.

Our assets


The management of our assets includes rolling stock, depot equipment, signalling, track and civil structures, high-voltage electrical infrastructure, communication systems, buildings, and tunnels. The 2022-23 financial year saw the delivery of 23 new trains and expansion of the Tallawong maintenance and stabling facility in preparation for the expansion of the network in 2024.




Sydney Metro’s assets on the Metro North West Line include:



36 kilometre metro
twin tracks between Chatswood and Tallawong



15 kilometres of tunnels



23 new trains
have been delivered and are being tested

Our assets



36 kilometres of twin tracks between Chatswood and Tallawong



45 metro vehicles



15 kilometres of tunnels



13 metro stations



4,000 commuter parking spaces



a train maintenance and stabling facility



4 kilometre ‘skytrain’ viaduct and bridges



8 traction power substations and transmission lines



8 bike parking facilities with 305 spaces for parking and storage

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 TfNSW.

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. From 4 July 2022, Sydney Metro adopted the July 2022-2023 Opal fares in line with the TfNSW Pricing Proposal for 2020 and in compliance with IPART’s current Opal fare determination.



Image: Central Station – North-South and Central Walk concourses.

Operational readiness activities for network expansion

Operational readiness activities have begun to ensure the Sydney Metro City & Southwest project is integrated with the Metro North West Line and ready for operation as a complete network from Tallawong to Sydenham in 2024. Testing and commissioning started and has included systems testing of trains, signalling, platform screen doors and CCTV. Sydney Metro is working closely with the Metro North West operator and TfNSW during trial running so that integrated ticketing and multimodal end to end journeys are ready for the first passenger service.

Central Station was transformed during the year in readiness for metro services in 2024. The Central Walk and the impressive North-South Concourse celebrate Central Station's rich history and provide passengers with a convenient and efficient interchange to train platforms, buses, light rail and future metro services. Travel times for commuters moving between Eddy Avenue and Chalmers Street are reduced with the introduction of escalator access to suburban platforms 16 to 23 and connection to the lower northern concourse with the eastern suburbs railway concourse.

The new additions both celebrate the rich history of Central Station and its role in Sydney life while also looking to the future by catering for expected passenger demand over the coming decades. The design preserves the heritage of the original station with the coming together of old and new.

Artefacts excavated during the construction of the new Metro platforms informed the archaeological heritage interpretation. These are displayed in a large, perforated steel installation of an image of the Devonshire Street Cemetery that once stood on the site.

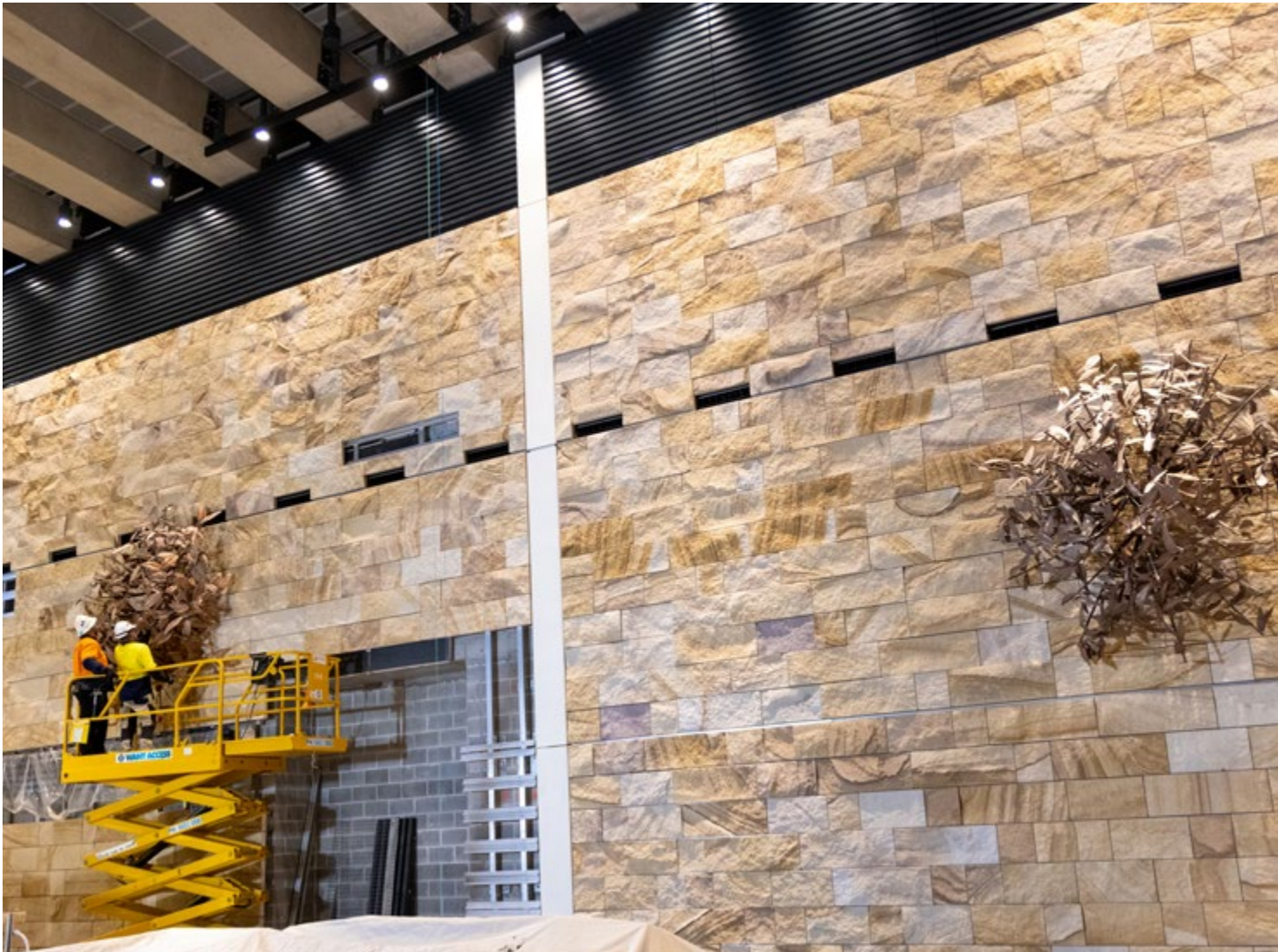


Image: Art is installed at Barangaroo Station as the site becomes ready for the 2024 opening.



Image: Specialist heritage consultants analysed artefacts to get a better insight into the lives of the people who lived around the new Waterloo Station in the 19th century.

3.3 Transport systems and solutions enabling economic activity

About the projects

Sydney Metro plays a vital role in stimulating economic activity through the delivery of three megaprojects and management of one operational metro line.

Metro North West Line

The introduction of the Metro North West Line in 2019 improved the accessibility to jobs, education and hospitals for the communities of the Northwest and Hills areas.

For example passengers travelling by Metro from Castle Hill to Macquarie Park have a travel time of around 20 minutes, compared to the bus route of about 40 minutes.

Sydney Metro City & Southwest

The Sydney Metro City & Southwest project is a 30 kilometre metro line extending from the end of the Metro North West Line at Chatswood, under Sydney Harbour, through the CBD and southwest to Bankstown. This project will address the existing bottleneck on the current T3 Bankstown Line as it merges with other railway lines close to the Sydney CBD, including the T8 Airport & South Line and the Inner West & Leppington Line. Moving Bankstown Line services to the new standalone metro will provide capacity for more trains to run on the existing network across Sydney.

Passenger services are being staged with Chatswood to Sydenham starting in mid-2024 and Sydenham to Bankstown services to follow in late 2025.

Sydney Metro West

Sydney Metro West is a 24 kilometre underground metro line between Parramatta and the Sydney CBD. Construction started in 2020 with stations confirmed at Westmead, Parramatta, Sydney Olympic Park, North Strathfield, Burwood North, Five Dock, The Bays, Pyrmont and Hunter Street in the Sydney CBD.

Sydney Metro West is designed to double rail capacity between the two CBDs, linking new communities to rail services and supporting employment growth and housing supply. The project is expected to create about 10,000 direct and 70,000 indirect jobs during construction.

Sydney Metro – Western Sydney Airport

The Sydney Metro – Western Sydney Airport project is a 23 kilometre metro line which will link the new Western Sydney International (Nancy–Bird Walton) Airport and Western Sydney Aerotropolis with St Marys. The project is creating a new public transport spine for Greater Western Sydney and will serve the region for generations to come. During construction the project will support more than 14,000 jobs for NSW and national economies.

The Australian and NSW governments have the shared objective of having the Metro Western Sydney Airport operational when the Western Sydney International Airport opens for passenger services.

Table 7: Major infrastructure projects, 2022-23.

		Sydney Metro			
Project description	Location	Start	Estimated total cost (\$'000)	Estimated Expend To 30-06-23 \$000	Allocation 2023-24 \$000
Sydney Metro					
Major Works					
Works in progress					
Sydney Metro City and Southwest (a)	Chatswood – Bankstown	2014	n.a.	15,499,302	2,410,043
Sydney Metro West	Westmead – Sydney CBD	2017	n.a.	7,221,092	2,863,774
Sydney Metro-Western Sydney Airport (State and Federal Funded) (b)	St Marys – Bringelly	2018	n.a.	3,177,061	2,378,944
Sydney Metro-Western Sydney Airport – Stage 2 Planning (State and Federal Funded)	Aerotropolis to Glenfield	2022	n.a.	21,487	38,514
Total, works in progress					7,691,275
Total, major works					7,691,275
Total, minor works					140,371
Total, Sydney Metro					7,831,646

Job creation and growing industry capacity

Major construction of Sydney Metro – Western Sydney Airport has started, with tunnelling of the new line now underway. This project will support more than 14,000 jobs during construction, including 250 new apprentices, with at least 20 per cent of the contract workforce coming from local communities in the western Sydney precinct.

A brand-new precast facility opened in Eastern Creek where all precast segments for the Sydney Metro West tunnels will be made. This precast facility is operating around the clock, five days a week, creating approximately 500 hundred jobs for people who live in this fast-growing area.

We continue to contribute to the achievement of the NSW Government Action Plan – A 10-point commitment to the construction sector by growing broader industry capacity and TfNSW’s Aboriginal Participation Strategy 2023 – 2025 by harnessing the opportunities our projects provide and driving creation of jobs, skills transfer and diversity with our delivery partners and supply chain.

Key outcomes include:

- 2.7 per cent of the external workforce are Aboriginal people
- 5.3 per cent of the external workforce are women in non-traditional trades and occupations
- 22.8 per cent of the external workforce are undertaking skills development programs
- 16.4 per cent of the external workforce are under 25 years of age
- 16.7 per cent of the trades’ workforce are apprentices;
- Over \$107M in goods and services was procured from Aboriginal and Torres Strait Islander peoples and businesses during the year. Our commitment to aboriginal participation exceeded the NSW public sector target at 3.1 per cent of eligible project spend.

Successful platform door testing and on-going dynamic speed testing

During the year, platform screen door interface testing across all seven new city stations on the Sydney Metro City & Southwest project was completed. This test involved rolling stock engineers checking that doors of the train and platform screen doors are a specified distance apart. Meeting this requirement ensures Sydney Metro provides safe, fully accessible services for passengers with level access between platforms and trains at all stations. Further testing will validate the performance of the doors under operating conditions.

On-track testing also started along the 15.5 kilometre twin metro lines from Chatswood to Sydenham ahead of services starting through the CBD in 2024. An extensive range of tests need to be completed at low speed by each new train before moving into high-speed testing, where trains will reach speeds of up to 100 kilometres per hour.

These tests include:

- Kinematic envelope test, which verifies the safe distance between the top and sides of the train and the tunnel
- Brake testing, including on different gradients
- ‘Car-Car Clearance Test’ to ensure all curves and turns are passed without issue
- Overhead wire and track interface testing
- Train recovery, where one train is coupled to a motionless train and moved to a station to simulate the recovery of a failed train.

These tests ensure the correct operation of critical safety functions, and that communication and signalling systems are operating as expected.



Image: TBM Wendy.

Our Tunnel Boring Machines

On the Sydney Metro West project, two of the six Tunnel Boring Machines (TBMs), known as TBM Daphne and TBM Beatrice, started carving out a section of the 24 kilometre line from The Bays to Sydney Olympic Park. On the Sydney Metro –Western Sydney Airport project, TBM Eileen and TBM Peggy started their journeys from the future Airport Business Park Station,

carving out the 5.5 kilometre section of twin metro tunnels to the Aerotropolis where they are expected to break through in mid-2024.

To showcase the progress of tunnelling across our projects, we released an interactive online tracking tool to display the progress of current TBMs. <https://www.sydneymetro.info/tunnelling>



Image: Eileen Cammack.



Image: Peggy Kelman.



Image: TBM Peggy.



Image: TBM Eileen.

What's in a name?

As is tunnelling tradition across the world, the Sydney Metro TBMs are named after women to bring luck to the workers who look to Saint Barbara for protection.

TBM Daphne is named in honour of Daphne Hilton, pioneer for paralympic sport. Daphne Hilton was one of the most successful Australian athletes of all time and a trailblazer for women in sport. Daphne competed in three Paralympic Games between 1960 and 1968 and set a record that is unlikely to ever be broken – winning 14 medals across five different sports including athletics, swimming, archery, table tennis and fencing.

TBM Beatrice's namesake is iconic local newspaper seller Beatrice Bush who sold newspapers for over 25 years from the traffic island at the intersection of Victoria Road and The Crescent in White Bay. She sold an estimated five million papers between 1971 to 1996, passing away six days after she sold her last paper. Her life inspired songwriters, filmmakers, sculptors and painters.

TBM Eileen pays tribute to the first female Mayor of Penrith, Eileen Cammack OBE, who also established the first pathology laboratory at Nepean District Hospital.

TBM Peggy honours pioneer aviator Peggy Kelman OBE, who was instrumental in promoting female aviation and was a flying companion of Nancy-Bird Walton.

Keeping our communities informed and engaged

Sydney Metro continues to achieve effective communication outcomes on our construction projects through a hybrid engagement model which emphasises face-to-face interaction where possible, while also using digital engagement methods.

Frequent stakeholder engagement activities occurred during the year for the Sydney Metro City & Southwest project, including regular door knocks and updates to local community and businesses near work sites. Open days, events and drop-in sessions were also held as part of broader public engagement activities. Key events and activities included Sydney Metro and contractor AW Edwards hosting a stall at the Crows Nest Festival in October 2022, a community open day at Blues Point in December 2022 to mark the reopening of Henry Lawson Reserve following its temporary use as a tunnel boring machine retrieval site and tunnel fit out access point, and community pop-in sessions at Waterloo and Martin Place.

Stakeholder engagement activities for the Sydney Metro West project included the lodgement and public exhibition of four Environmental Impact Statements for over and/or adjacent station development at Hunter Street (East and West), Parramatta and Sydney Olympic Park. Numerous community events, engagements, drop-in sessions, shopping centre displays and attendance at markets occurred across the alignment. Key engagements included talking to more than 1000 people at Ferragosto Festival in Five Dock and 180 attendees at The Bays construction site open day. The Sydney Metro Connect App continues to provide construction updates and planning information to communities, with more than 8000 users across Sydney Metro West and Sydney Metro – Western Sydney Airport projects.

Extensive stakeholder engagement activities for the Sydney Metro – Western Sydney Airport project included participating in a Western Sydney International Airport open day, attended by more than 1,200 community members and interested stakeholders. Additional proactive engagement included in person shopping centre display pop-ups at St Marys, St Clair and Luddenham shopping centres and attendance at various Greater Western Sydney local events, markets and festivals.





Image: Blues Point archaeological excavation.

Connecting with Country

Sydney Metro has engaged and worked with knowledge holders to enable its employees, contractors and staff to work respectfully and in a culturally appropriate way with Aboriginal communities and Country. We produced the Connect with Country Guide for Sydney Metro West and the Connecting with Ngura (Country) guide for Sydney Metro – Western Sydney Airport.

Aboriginal design advisors, Djinjama, have delivered Readings of Country for each station on the Sydney Metro West project and have separately been engaged as advisors by our Stations, Systems, Trains, Operations and Maintenance Package (SSTOM) contractors on the Sydney Metro – Western Sydney Airport project. These readings assist design teams to understand how to use the cultural knowledge shared by our working groups in a design context, such as colour, plantings, materials, and other design related elements.



Image: Blues Point heritage artifacts.

Aboriginal cultural heritage and historic heritage

Archaeology at the Parramatta metro station site

The site of the new Parramatta metro station once contained wetlands, a rich resource for the Burramattagal people. It is also in the historical core of Parramatta in a part of the town laid out in around 1790-1792. Archaeological work began in February 2022 and is expected to continue through to 2025. We are gaining new understandings of Parramatta’s importance to First Nations peoples and the historical interactions between the Burramattagal and colonists. The work is also providing new insights into the early colonial settlement of Parramatta, how colonists adapted to a new environment and their daily life, urbanisation during the nineteenth century and the evolution of the township of Parramatta into the city it is today.

Sydney Metro is only part way through the archaeological program which is expected to continue through to 2025.



Aboriginal archaeology on the Sydney Metro – Western Sydney Airport project

Between October 2021 and August 2022, Sydney Metro investigated six Aboriginal archaeological sites on the Sydney Metro – Western Sydney Airport project in consultation with Registered Aboriginal Parties. The archaeological program identified over 9,000 artefacts. The analysis of the artefacts is ongoing with a report to be prepared in consultation with the Registered Aboriginal Parties toward the end of 2023.

Barangaroo Boat

Conservation of the Barangaroo Boat continued throughout the year. The 200-year-old boat is currently housed for conservation and safekeeping at the Sydney Metro Heritage and Conservation Facility in Yennora. At completion of the conservation program the boat will be handed over to the National Maritime Museum for public display.

The boat was unearthed in November 2018, during Sydney Metro’s excavation of Barangaroo Station, at the historic site of a shipyard. The boat is believed to have been built between 1810 and 1820 and was constructed of local timbers like Sydney blue gum. It is also the oldest known example in NSW of an Australian-built small European-style timber boat that once moved around the Sydney colony.

Research and development

Sydney Metro is committed to continual improvement and innovation to deliver effective outcomes in the delivery of metro. From planning future extensions, improving the customer experience, minimising our impact on the environment or finding more efficient construction methods we work with our partners and educational institutions to find better ways of working. We partner with universities on research projects to provide students with industry exposure, while allowing us to access cutting edge research.

In 2023, we launched the inaugural Innovation Challenge as a way for staff to share their ideas for improvement. The challenge received 65 ideas from 435 participants and by the end of 2022-23, eight ideas had progressed to the proof-of-concept stage. Each of the eight ideas are being further defined and implemented by cross-functional teams and subject matter experts.

Table 8: Research and development.

Activity	Status	Partners and collaborators
<p>Metro North West Benefits Realisation – Wider Economic Benefits</p> <p>In 2020 Sydney Metro engaged Western Sydney University to conduct a three-year longitude study to measure place-making and wider economic benefits from the Metro North West Line. The research will be completed by the end of 2023, and the final report is scheduled to be released in 2024.</p>	Ongoing	Western Sydney University
<p>Acoustic Classifier Feasibility Project</p> <p>In 2023, Sydney Metro initiated a project which aims to redefine and increase the efficiency of how the organisation approaches the management of noise impact. Trials will be run using emerging technology to classify noise sources from audio recordings, in the context of construction sites. Sydney Metro has engaged The University of Technology Sydney with respect to the methodology of the trial and in the development of a final report.</p>	Ongoing	University of Technology

Project planning approvals

To support the delivery of these truly city shaping projects the following State Significant projects were approved under the *Environmental Planning and Assessment Act 1979* in 2022-23:

- State Significant Development (Stage 2) – Crows Nest Over Station Development Site C Modification 1 – Amend Condition B14 regarding height exemption and other minor corrections
- State Significant Infrastructure – Sydney Metro West Stage 1 Modification 3 – Administrative Modification
- State Significant Infrastructure – Sydney Metro West Stage 1 Modification 4 – Administrative Modification
- State Significant Infrastructure – Sydney Metro West Stage 2 project: tunnelling and station excavation from The Bays to Sydney CBD

- State Significant Infrastructure – Sydney Metro West Stage 2 Modification 1 – Amend Condition D23 to enable tunnelling activities by means other than tunnel boring machines outside the approved construction hours
- State Significant Infrastructure – Sydney Metro West Stage 3 project: rail infrastructure, stations, precincts and operations.

The following Sydney Metro State Significant project applications were commenced or underway in accordance with the *Environmental Planning and Assessment Act 1979* in 2022-23:

- State Significant Infrastructure – Sydney Metro West Stage 1 Modification 5 – Additional impacts to mangroves at Clyde stabling and maintenance facility
- State Significant Development (Stage 1) – Sydney Metro West: Parramatta over station and adjacent station development

- State Significant Development (Stage 1) – Sydney Metro West: Sydney Olympic Park over station and adjacent station development
- State Significant Development (Stage 1) – Sydney Metro West: Hunter Street over station and development (East site)
- State Significant Development (Stage 1) – Sydney Metro West: Hunter Street over station and development (West site)
- State Significant Development (Stage 1) – Sydney Metro West: Pyrmont over station development.

In September 2022, Sydney Metro determined a Review of Environmental Factors under Division 5.1 of the *Environmental Planning and Assessment Act 1979*, to enable the re-establishment and operation of a precast facility located on George Booth Drive, Buchanan, in the Cessnock local government area. The precast facility supports the construction of the Metro Western Sydney Airport project through the production of precast concrete viaduct and bridge elements for the surface and civil alignment works contract.

Reinterment of the Perry and Ham family remains

On 4 November 2022, the remains from the Perry and Ham family vault found during excavations for the station box at Central Station were reinterred at the Field of Mars Cemetery in Ryde. The vault had been part of the former Devonshire Street Cemetery which was exhumed in 1901 to make way for Central Railway Station.

The reinterment followed a service at the Central Baptist Church in Sydney which was attended by descendants of the families, members of the Central Baptist Church and representatives of the Field of Mars Cemetery. Sydney Metro and the archaeologists who excavated the vault in 2019 also attended the event.

3.4 Successful places for communities

Sydney Metro has a unique opportunity to demonstrate an exemplary approach to integrated transport and land use planning. Quality architecture, good urban design and a user-friendly and inter-connected transport system are critical to ensuring that Sydney Metro meets passenger needs and expectations and maximises the city shaping potential and broader urban benefits for Sydney's future.

Through excellence in design and delivery, Sydney Metro aims to deliver places which:

- respond to the community's needs and the character and context of each station
- are architecturally unique and easy to navigate
- are intuitive and safe, and promote people's health and wellbeing
- are active and vibrant, with a mix of uses and activities.

North West precinct development

Sydney Metro, together with the Metro North West Line development partner Landcom, submitted five major State Significant Development Applications for up to 8800 dwellings, and 180,000 square metres of non-residential (retail/commercial/community) floor space during the year.

New precinct developments have been approved at Tallawong, Hills Showground, Epping, Bella Vista and Kellyville. The proposals include new public spaces for communities to enjoy and a minimum of five per cent affordable rental housing for low to moderate income households.

During the year, a site at Tallawong was sold to Deicorp to develop a new mixed local centre opposite Tallawong Metro station. The site will include an activated public plaza, retail/commercial spaces, and around 650 apartments.

Sydney Metro creates city-shaping projects that support well-connected and vibrant places through integrated strategic planning and good urban design, with our integrated station developments being at the forefront of global best practice. Our approach to placemaking focuses on creating thriving, welcoming hubs for local communities to enjoy, with new public spaces designed to encourage walking, cycling and social interaction.

Sydney Metro North West Places Program Highlight: Bella Vista Pocket Park opening and Events Program

In September 2022 more than 250 people celebrated the opening of the Bella Vista Pocket Park with free activities including lawn games and music. A collaboration with Landcom, the Sydney Metro North West Places Program is focused on creating

community belonging. Since opening the park has hosted around 30 events each month including weekly fitness and dance classes, music and learning to skate workshops.



Image: Bella Vista Pocket Park. Image courtesy of Landcom.



Image: Bella Vista Pocket Park. Image courtesy of Landcom.

Sydney Metro City & Southwest

Sydney Metro awarded the contract for the air rights above Crows Nest Station to Third.i Group in December 2022. The development includes a 21-storey commercial office building on the corner of Pacific Highway, Hume Street and Oxley Street, and a 17-storey residential building on the corner of Pacific Highway and Hume Street above the station. The new buildings will capitalise on easy access to the new Crows Nest Station, providing new jobs in the area, a range of new housing options and easy access to two major hospitals.

Sydney Metro has been working with the local community since 2017 on optimising the proposed building height, car parking provision and building use to provide more local employment opportunities.

Sydney Metro awarded its first significant revenue contract and first advertising contract to oOH!Media for the supply, installation, operation, maintenance, and management of digital advertising assets and content within Sydney Metro City & Southwest stations.

Digital screens will be installed on platforms and concourses from Crows Nest to Sydenham. The screens will add vibrancy to our stations with engaging content to enhance the Metro customer experience.

Sydney Metro West

Sydney Metro continues to engage with local councils and planning agencies to align and realise the visions for the precincts along the Metro West corridor, including progression of state significant development planning assessment for Hunter Street, Parramatta, Pyrmont and Sydney Olympic Park station sites.

The Hunter Street Station development procurement continues with two contractors shortlisted to tender for the Hunter Street Station Precinct Development Partner. The new Hunter Street Station will revitalise Sydney's central business district and become a transport precinct with connections to George Street, light rail, train services at Wynyard and the new metro station at Martin Place.

Sydney Metro – Western Sydney Airport

Sydney Metro continues to work closely with the Department of Planning and Environment and local councils and communities to plan vibrant places and landmarks that will support the success of the Western Parkland City.

Sydney Metro has been involved in numerous activities to create new and enhanced places, including working with:

Penrith City Council to progress the strategic planning of St Marys

- Penrith City Council to progress the strategic planning of St Marys
- the Department of Planning and Environment to progress the planning process for Orchard Hills and Bradfield.

Land disposal

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

There were no sales of property in 2022-23 with a value greater than \$5 million and not sold by public auction or tender.



Image: Front cover of St Marys Town Centre Structure Plan.



Image: Front cover Orchard Hills: A discussion paper on planning for the future of Orchard Hills.



Image: Artist's impression of Crows Nest and over station precinct.

3.5 Thriving people doing meaningful work

We continue to recognise our people are our most valuable resource and the key to delivering high quality services and infrastructure to our passengers and community.

We continue to support TfNSW's primary outcome of 'thriving people doing meaningful work', by driving engagement, continuing to attract and retain talent, building capability, harnessing the diversity of our people and implementing flexible work practices.



People Matter Employee Survey

Each year the Public Service Commission conducts a People Matter Employee Survey (PMES) across the NSW public sector. The survey enables us to check in with our people, measure employee engagement and understand their experience of working at Sydney Metro. In 2022, our PMES engagement score remained steady at 74 per cent and well above the NSW public sector score of 64 per cent.

87 per cent of our people said they feel proud to work for Sydney Metro and achieved high scores for inclusion and diversity (80 per cent), our commitments to ethical behaviours and supporting organisational values (85 per cent) and flexible working arrangements (92 per cent). Our results also reflected challenges encountered since the COVID-19 pandemic and reinforces our need to continue to focus our efforts on talent acquisition, learning and development and wellbeing initiatives.

Employee safety and wellbeing

This year we continued to prioritise employee safety and wellbeing by introducing, in addition to risk management activities, the first Sydney Metro YOUUnique Safety and Wellbeing month in October 2022 which provided over 30 virtual and in-person sessions and activities over the month focusing on mental, physical, financial and social wellbeing.

Our awards and achievements

Industry awards offer Sydney Metro the opportunity to celebrate and promote our people and achievements. These opportunities demonstrate Sydney Metro's capacity as an infrastructure planner, designer, builder and operator throughout the project lifecycle. They also demonstrate how we are taking a portfolio approach to our work and draw on international expertise and trends to design and build world class metro stations, precincts, rolling stock and systems. The awards won by Sydney Metro, our people and our contractors during 2022-23 include:

Awards won

Permanent Way Institution NSW Awards: Major Design Fees more than \$1m category won by GHD and Aurecon Design Joint Venture, for Sydney Metro Central Station works

Outstanding Security Performance Awards: Outstanding Security Team category won by Sydney Metro's Enterprise Security team

Infrastructure Partnerships Australia National Infrastructure Awards: Financial Excellence category won by Sydney Metro and partners for the Stations, Systems, Trains, Operations & Maintenance public private partnership for the Sydney Metro-Western Sydney Airport project

Infrastructure Partnerships

Australia National Infrastructure

Award: Operator & Service Provider Excellence category won by Sydney Metro and operator Metro Trains Sydney, for the Metro North West Line

Partnership Awards: Best Transport Project category won by the Sydney Metro-Western Sydney Airport for the Stations, Systems, Trains, Operations & Maintenance public private partnership

Partnership Awards: Public Sector Promoter/Procurer of the Year category won by Sydney Metro-Western Sydney Airport for the Stations, Systems, Trains, Operations & Maintenance public private partnership

Banksia Foundation New South Wales

Sustainability Awards: Future Cities category won by Sydney Metro. The sustainability team worked with the Green Building Council of Australia to create a Green Star-Custom (Sydney Metro) rating tool which can be applied to railway stations. All seven Sydney Metro City & Southwest underground stations have achieved a 6 Star 'World Leadership' Green Star-Custom (Sydney Metro) Design Review rating in recognition of their strong sustainability performance.



Image: Rebecca McPhee, Deputy Chief Executive Sydney Metro receives the Operator & Service Provider Excellence Award at the National Infrastructure Awards.

Master Builders Association of New South Wales Excellence in Construction Awards: Site Safety Commercial Projects \$10 Million & Over and Safety Innovation Merit award won by A W Edwards for Crows Nest Station

Australian Steel Institute's NSW Engineering Project Steel Excellence award for the Sydney Metro Central Station Northern concourse roof won by Alfabs

Engineering News-Record Annual Photo Contest: 'Images of the Year In Construction' photo contest – Sydney Metro/Laing O'Rourke was featured <https://www.enr.com/media/photos/153-enr-s-2022-year-in-construction-slideshow>

Australia Rising Stars – Anita Panikka Executive Director-Legal was included in The Legal 500 GC Powerlist

Awards commended

Australian Steel Excellence Awards 2022 –Engineering Projects NSW/ACT (special judge's commendations) for Central Station Northern Concourse roof won by Alfabs

Engineers Australia Young Professional Engineer of the Year (NSW): MCE Australia's Annabella Duo working on Sydney Metro City & Southwest was a highly commended finalist

Awards shortlisted / finalists

Banksia Foundation National Sustainability Awards: As a state award winner, Sydney Metro was a finalist in the national awards

I'm Transport awards: Director of Placemaking & Property Sydney Metro –Western Sydney Airport Director was a finalist in the Successful Places for Communities category

National Women in Construction

NSW awards: Barangaroo Station Construction Director Claire Moore was a finalist in the Project Manager of the Year category

Australia Institute of Architects NSW Chapter Awards: Cox Architecture was shortlisted for the Public Architecture Award and the Colorbond Award for Steel Architecture for the Eastern Creek Speedway

Australian Institute of Project Management Project Management Achievement Awards:

Sydney Metro –Western Sydney Airport Project Management Office is a finalist in the Project Management Office award category



Image: Sydney Metro Chief Executive Peter Regan visits The Bays station site to view the progress on the station box/dive site and the tunnel boring machines waiting to be launched.

04

Management and accountability





Image: Artist's impression of new Northern Concourse at Central Station.

4.1 Key highlights

This year we made key changes to our executive team to ensure that its structure and composition better enabled delivery of our strategic objectives. This included the establishment of the Chief Property & Place Officer, and Chief Finance & Commercial Officer roles.

Sydney Metro has a robust governance framework which enables informed and transparent decision making at all levels and provides an open environment to raise and resolve issues. It also ensures accountability and transparency are deliberately embedded in the way we work and deliver outcomes for the people of NSW.

Sydney Metro Cyber Security Operations Centre (CSOC) has been established and is fully operational.



4.2 Sydney Metro Government workforce

Sydney Metro operates with an integrated workforce to deliver our commitments. Our workforce grew during 2022-23 to support the delivery of the record capital investment in Sydney Metro and our total capital expenditure during

the year of \$7.4 billion. The table below is a summary of the government staff employed at Sydney Metro and does not include any labour hire or contracted staff.

Table 9: Sydney Metro Government workforce.

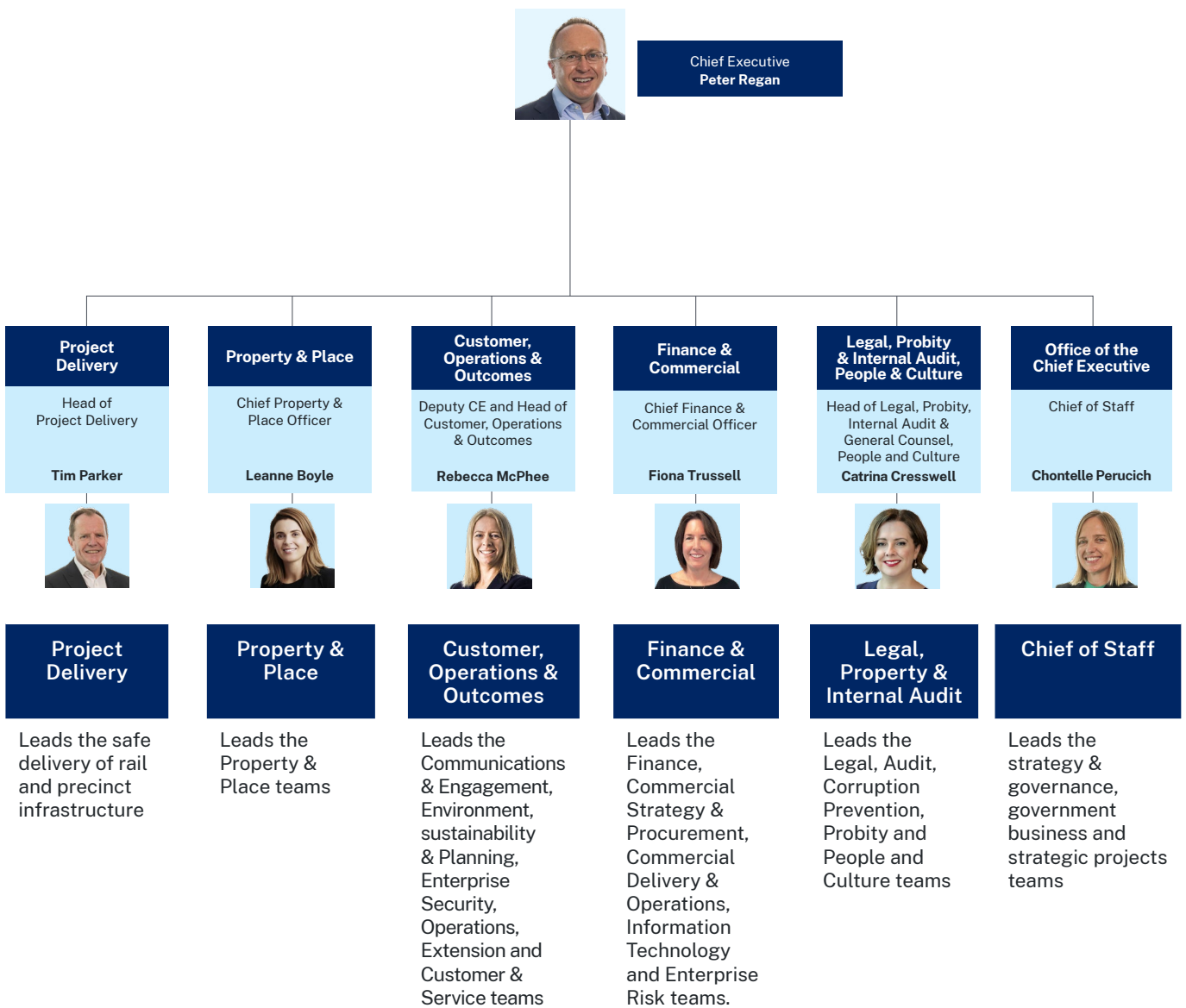
	Salaried Employees (Grades 1-9)		Transport Service Senior Managers		Senior Executives		Total
	Male	Female	Male	Female	Male	Female	
Full Time Equivalent							
As of 30 June 2023	345	401.01	159.60	113.43	181.57	106.49	1307.10
Headcount							
As of 30 June 2023	345	406	160	118	182	108	1319
As of 30 June 2022	293	330	130	99	146	84	1082
As of 30 June 2021	199	226	91	69	111	58	754
As of 30 June 2020	106	133	74	43	78	42	476





4.3 Sydney Metro Leadership and Structure

Sydney Metro organisational chart and functional responsibilities as at 30 June 2023.



Executive qualifications

During the reporting period the following executives held a position on Sydney Metro's senior management committee.

Table 10: Senior Management Committee tenure and qualifications (2022-23).

Sydney Metro executive, 2022-23	Position	Periods position held	Qualifications
Peter Regan	Chief Executive	12.04.2021 – current	Bachelor of Commerce (Accounting and Finance) Fellow, Chartered Accountants Australia and New Zealand.
Chontelle Perucich	Chief of Staff	14.02.2022 – current	Bachelor of Environmental Science (Geography)(Hons)
Tim Parker	Head of Project Delivery	01.02.2020 – current	Bachelor of Science (Hons), Environmental Engineering Master of Business Administration Chartered Mechanical Engineer
Leanne Boyle	Chief Property & Place Officer	08.08.2022 – current	B. Science (Land Economics) Master of Business Administration Graduate Member Australian Institute of Company Directors
Rebecca McPhee	Deputy Chief Executive & Head of Customer Operations & Outcomes	24.04.2021 – current	Master of Arts (Hons), Economics and Social and Political Sciences
Fiona Trussell	Chief Finance & Commercial Officer	14.12.2022 – current	Bachelor of Economics Graduate Member Australian Institute of Company Directors Member of Institute of Chartered Accountants Australia
Catrina Cresswell	Head of Legal, Probity, Internal Audit & General Counsel	04.04.2019 – current	Bachelor of Arts Bachelor of Laws (LLB)
Johanna Hall	Executive Director Corporate Services	25.05.2020 – 24.12.2022	Bachelor Applied Science, Speech Pathology Graduate Certificate Human Resource Management: Training and Development Graduate Certificate Applied Science: Psychology of Coaching
Brendan Harvey	Executive Director Commercial	29.07.2021 – 13.09.2022	Bachelor of Laws (LLB) Hons Common & Civil Law with Hispanic Studies Postgraduate Certificate of Professional Legal Studies
Jason Conroy	Chief Finance & Commercial Officer	04.07.2022 – 01.11.2022	Bachelor of Commerce (Accounting) Master of Business Administration Fellow of Chartered Accountants Australia and New Zealand Member Australian Institute of Company Directors

Changes to our workforce profile during 2022-23

During the year, our structure was reviewed to respond to our growing priorities and ambition to deliver a world class metro for the people of NSW. This resulted in changes in structure of our executive team and repointing some functions in our business to deliver on our mandate.

Key changes included:

- Establishment and recruitment of a Chief Property and Place Officer to lead property development of precinct schemes and partnerships, land and property functions.
- Establishment and recruitment of a Chief Finance and Commercial Officer to lead the organisation's finance, investment, commercial, information technology and enterprise risk functions and to provide a range of strategic planning, budgeting and corporate reporting services that support key decision making.
- Realignment of Corporate Services functions across Sydney Metro.
- Changes to workforce profile to attract and retain specialised skills in a competitive labour market to deliver on our mandate. This resulted in growth in senior service workforce to match our focus and capital investment for the year.

Numbers and remuneration of senior executives

Table 11: Number and remuneration of senior executives (2022/23).

Transport Senior Service Level	Female	Male	Total	Average total remuneration package \$
TSSE Band 1				
2022-23	83	145	228	254,049.21
2021-22	66	116	182	252,052.30
2020-21	45	83	128	247,870.58
2019-20	31	55	86	254,762.29
TSSE Band 2				
2022-23	23	36	59	357,820.61
2021-22	18	29	47	351,591.13
2020-21	13	27	40	343,635.10
2019-20	11	22	33	350,851.52
TSSE Band 3				
2022-23	2	1	3	603,048.33
2021-22	0	1	1	666,250.00
2020-21	0	1	1	650,000.00
2019-20	0	1	1	538,125.00
2022-23	108	182	290	
2021-22	84	146	230	
2020-21	58	111	169	
2019-20	42	78	120	

4.4 Human resources

Employees at Sydney Metro are employed in the Transport Service. Personnel services are provided by the Transport Shared Services in TfNSW, including salaries, wages, leave entitlements, superannuation, workers' compensation insurance premiums, payroll tax, fringe benefits tax and redundancies.

Exceptional movements in wages, salaries or allowances

Salaries, wages and allowances for Sydney Metro employees moved in accordance with the NSW Government Wages Policy throughout 2022-23.

The TfNSW Salaries and Sydney Metro Salaries and Conditions of Employment Award 2022 (the Award) applies to non-executive employees who were transferred to the Sydney Metro Group on 1 July 2018 or employed thereafter.

The Award provided for an increase to wages and related allowances of 2.53 per cent from the first full pay period commencing on or after 1 July 2022. The Award reached its nominal expiry date on 30 June 2023. Negotiations toward a replacement Award are underway.

The Statutory and Other Offices Remuneration Tribunal (SOORT) determined on 21 July 2022 that there would be an increase of 2 per cent to the remuneration of Transport Service Senior Executives (Bands 1–3), and the Secretary determined to apply the 2 per cent increase to the Transport Service Senior Manager ranges. The SOORT determination was effective on and from 1 July 2022.

Flexible work practices – making hybrid sustainable

Our PMES results have shown us that flexible ways of working are a key driver of our peoples' engagement levels and productivity. We also understand that no "one size fits all", when it comes to flexibility.

This year we enabled our people to return voluntarily to the office by maintaining COVID-19 safe workplace practices such as maintaining office capacity restrictions, encouraging physical distancing, and sanitising workspaces and offices, in accordance with advice from TfNSW and NSW Health. This has seen a steady increase in office use.

In late May 2023, we also removed our office capacity restrictions and have started to focus on strategic initiatives for making hybrid working sustainable now and in the future. This includes technology uplifts for both North Sydney and Sydney offices, refreshing space planning principles and continuing to support our people to apply tailored flexible work conditions that help improve how they work and live, with minimal disruption and impact to overall business productivity, goals and objectives.

Attracting the best talent and building our capability

Due to macro-economic factors including large volumes of infrastructure projects across NSW and residual impacts of the COVID-19 pandemic, we continue to face on-going challenges associated with the attraction of skills and talent in critical areas of project delivery, engineering and commercial management.

Despite these challenges we continue to find innovative ways to offer exciting and new opportunities for people with the right skills to work on a city shaping project. We increased our focus on entry-level roles and career pathways through organisational design and partnering with TfNSW and Infrastructure NSW to support filling of entry level roles. We placed six graduates and cadets in critical skill shortage roles such as engineering, projects and commercial and an additional 81 graduates in the last 12 months have gone on to sustainable employment with our delivery partners.

This year we continued delivery of our Talent Sourcing Plan 2021 – 2024, in partnership with TfNSW, focusing on proactive sourcing and talent pipelining, in-house recruitment practices and/or capability development, and on-going improvements to various recruitment stage gate steps to reduce overall recruitment timeframes.

Additionally, we introduced success profiles to attract talent from non-typical talent pools and educated hiring managers to look for people with more diverse backgrounds and experiences; and also introduced targeted campaigns, bulk campaigns and talent pipelining for bulk roles.

Internally, we also mobilised staff and utilised talent and succession planning to support opportunities either at grade or higher, including stretch assignments, which has provided the additional benefits of increased suitability for roles and maximised retention in an active market.

We are also committed to developing our internal and external workforce.

This year we continued our internal mentoring program, 274 of our staff participated in our mentoring program and accessed learning through informal channels.

Overseas travel

The table below summaries overseas travel taken by employees and officers during 2022-23.

Table 12 : Overseas travel 2022-23.

Officer	Destination	Date	Purpose
Chief Executive, Sydney Metro	London, United Kingdom	24 September – 3 October, 2022	To participate in and present at the Australian British Chamber of Commerce’s (ABCC) Infrastructure Catalyst conference, meet with industry partners and attend associated meetings and site visits.
Deputy Chief Executive, Sydney Metro	Wellington, New Zealand	20-24 November, 2022	To attend mandatory work based project unit of the Australia and New Zealand School of Government Executive Masters Public Administration program.

Consultants

Table 13: Engagements of \$50,000 and over.

Consultant	Project	Description	2022-23 expenditure (\$)	Total actual cost (\$)
Deloitte	Customer Strategy Services	Advice on the development of the Sydney Metro Customer Strategy	194,200	194,200
John Yates	Strategic Advisory Services	Advisory services for Sydney Metro cyber and physical security capability	57,800	162,000
LEK Consulting	Strategic Project Review Services	Professional advisory services for the Sydney Metro City & Southwest project	517,258	517,258
Nous Group	Strategic Review Services	Advisory services for review of people and culture service	174,980	174,980
O'Connor Marsden	Probity Advisory Services	Probity Advisory Services	263,519	433,594
Procure Group	Probity Advisory Services	Probity Advisory Services	312,315	460,613
Total			1,583,072	1,942,645

Note: Total actual cost also includes payments made outside the 2022-23 reporting period.

Table 14: Engagements less than \$50,000.

Total number of engagements	2022-23 expenditure (\$)	Total actual cost (\$)
22	298,304	407,569

4.5 Economic or other factors

Sydney Metro has a significant pipeline of capital works to deliver to achieve its strategic objectives across each of the major projects. The capacity of the Australian construction industry to deliver amid the influence of uncertain economic conditions is a critical emerging factor impacting Sydney Metro as industry recovers from the effects of the COVID-19 pandemic.

Sydney Metro is working in conjunction with the NSW Government, NSW Treasury and our delivery partners to ensure the impacts and risks to projects are closely monitored and appropriately mitigated.

Due to the fluid nature of the current economic conditions, material supply, inflation, component and commodity price escalation, labour and workforce risks are all closely monitored by Sydney Metro. Short-term mitigations and opportunities have been developed collaboratively with delivery partners, including development of new risk sharing mechanisms and early engagement with industry to address risk allocation.

Some of the short-term and package level mitigations include:

- early engagement with the market to inform the procurement process
- detailed assessment of escalation risk driven by economic environment for each package before contract award (with detailed inputs / consultation with contractors during procurement process via extensive interactives)
- assessing foreign currency exposure and hedging where appropriate

- seeking longer term price validity from bidders during procurement
- reviewing contract model and updating contractual provisions as appropriate
- developing and negotiating package specific risk allocation regimes with contractors before contract award in a collaborative manner
- implementation of Infrastructure NSW supply chain escalation principles from September 2022 which includes a Rise & Fall mechanism with Cap and Collar approach
- robust contract management during delivery to assess and substantiate additional risk and cost impacts.

Long-term initiatives are underway to support supply chain performance, including:

- standardisation of procurement and contract management processes
- development of collaborative performance management with industry partners
- engagement with industry to develop new innovative approaches
- regular review of market volatility to assess price escalation risk and related impacts.

From the market's perspective, we have seen more price hedging, longer tender validity periods on subcontract pricing, and ordering larger quantities of key materials to preserve pricing.

4.6 Audit and 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. Sydney Metro is committed to continual improvement in our risk management practices, and to building a strong risk 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 General Government Sector (TPP 20–08) and conforms to the Australian Standard for Risk Management (AS ISO 31000:2018).

Risk management is embedded in planning, project development, and management.

Sydney Metro makes decisions and takes actions that are in accordance with the risk appetite set by the Board, and applies an enterprise wide structured and accountable approach to proactively identify and appropriately mitigate risk exposure.

Sydney Metro adopts the Institute of Internal Auditors Three Lines model to risk governance and oversight.

Sydney Metro's risk management is subject to oversight by the Board Risk Committee chaired by an independent non-executive member of the Board.





Image: During testing of the trains, full water tanks on board are used to simulate customer loads.

Internal Audit and Risk Management Attestation Statement for the 2022-2023 Financial Year for Sydney Metro

After appropriate review of the matter by the Sydney Metro Board, I, John Arthur am of the opinion that Sydney Metro has internal audit and risk management processes in operation that are compliant with the seven (7) Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

Core Requirements

Risk Management Framework

Component No.	Requirements	Enterprise Risk Response
1.1	The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.	Compliant
1.2	The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018.	Compliant

Internal Audit Function

Component No.	Requirements	Internal Audit Response
2.1	The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.	Compliant
2.2	The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing.	Compliant
2.3	The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant

Audit and Risk Committee

Component No.	Requirements	Management Response
3.1	The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee* oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.2	The Accountable Authority shall ensure the Audit and Risk Committee* has a Charter that is consistent with the content of the 'model charter'.	Compliant

* Consistent with Sydney Metro's successful application to the Minister for Transport for an exemption from Core Requirements 3.1 and 3.2 of Treasury Policy TPP 20-08, the Sydney Metro Audit and Risk Committee was dissolved on 19 September 2022 and the Board Audit Committee and the Board Risk Committee then established.

The Board of Sydney Metro oversees internal audit and risk management processes with the assistance of a Board Audit Committee and a Board Risk Committee. The work of these Committees in aggregate replicates or exceeds the work previously done by the now disbanded Sydney Metro Audit and Risk Committee. The Charters of the Board Audit Committee and the Board Risk Committee between them cover all matters dealt with in the Audit and Risk Committee model charter.

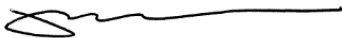
The independent chair and members of the Board Audit Committee are:

- Chairman, Bob McKinnon
- Member, John Arthur**
- Member, Gail Pemberton
- Member, Louise Thurgood

The independent chair and members of the Board Risk Committee are:

- Chairman, Louise Thurgood
- Member, Bob McKinnon
- Member, John Arthur
- Member, Thao Oakey
- Member, John Barraclough

** The Chairman is an ex officio member of all Board Committees.



John Arthur

Chairman, Sydney Metro Board

Date 3 August 2023

4.7 Cyber Security

Managing Cyber security risk

The Sydney Metro Cyber Security Operations Centre has been established to perform continuous cyber security event monitoring and threat detection capability for several of Metro North West Line's critical infrastructure assets. This new capability provides numerous benefits, including reduced risk of cyber-attacks impacting the availability of Metro services.

In accordance with our cyber security strategy, Sydney Metro has also introduced several new cyber security capabilities to reinforce defences against potential threats. These include:

- Introduction of the Sydney Metro Cyber Security Incident Management Procedure which is designed to efficiently detect, respond to, and recover from cyber threats, safeguarding operational assets and enhancing operational resilience. It aligns with Sydney Metro's risk and compliance obligations, including the requirements of the *Security of Critical Infrastructure Act 2018*.
- Cyber security incident desktop simulation exercises including joint exercises with the North West Metro operator team to assess incident response and crisis management capabilities and processes.
- Initiation of a comprehensive enterprise-wide Cyber Security Review of both the Operational Technology and Information Technology environments for Sydney Metro, our operator, contractors and projects.

Sydney Metro's agile and dynamic approach to the development and implementation of the Sydney Metro security management program has successfully embedded security thinking into organisational decision making and activities at Sydney Metro, including business case decisions for projects such as new station locations, contract development and KPI setting for operators and third-party delivery organisations.

Cyber security annual attestation statement for the 2022–23 financial year for Sydney Metro

I, Peter Regan, believe Sydney Metro complies with the NSW Government Cyber Security Policy.

Cyber security is an evolving landscape that requires an ongoing program of work. TfNSW governs and manages cyber investment through the Transport Cyber Defence Rolling Program.

Sydney Metro has identified its critical assets, the security-related risks, and has an ongoing program of work to manage security-related risks.

Sydney Metro manage its cyber security risks using an enterprise framework and continues to improve the management of its cyber security risks. A Cyber Security Working Group is in place which is supported by a network of forums, portfolio boards and subject matter experts to manage the cyber security maturity and cyber initiatives across Sydney Metro.

A combination of reviews, certifications and internal audits of Sydney Metro's critical asset environment were undertaken, and Sydney Metro has an ongoing program of work to identify and assess changing security threats, manage new and current risks, and implement appropriate controls.



Peter Regan
Chief Executive,
Sydney Metro
9 August 2023

4.8 Insurance activities

Sydney Metro is a member agency / authority of the NSW Treasury Managed Fund ('TMF') for its direct insurance requirements (non-project related insurances) including workers' compensation, public liability, property, motor vehicle and miscellaneous items, including professional indemnity. In 2022-2023, there were no material claims made against any of these insurance categories under the TMF.

Project specific insurances are procured in respect of the delivery of the Sydney Metro program of works. These insurances are procured from the commercial insurance market and / or Insurance and Care New South Wales ('iCare').

Delivery phase insurances procured by Sydney Metro, typically include:

- Contract works: physical loss or damage to permanent or temporary works
- Public and products liability: legal liability to third parties for personal injury or property damage arising out of the works and delivery phase activities
- Project specific professional indemnity (on a case by case basis): civil liability of the contractor(s) arising out of the performance of professional activities and duties
- Delay in start-up: loss of revenue following a delay to completion arising from damage insured under the contract works insurance. Purchased solely for contracts delivered through a PPP contract, over station developments.

Other project insurances such as plant and equipment, asbestos liability, workers' compensation, motor vehicle insurance, are typically procured by the appointed contractor(s) (or their subcontractors). These insurances cover the insurable interests of Sydney Metro as required by contract.

Operations phase insurances for the Metro North West Line are procured by, or on behalf of the operator (NRT/ MTS) in accordance with the Operations, Trains and Systems Project Deed and are consistent with projects of a similar size and nature, delivered through a PPP. These insurances include property damage, business interruption (loss of revenue), public and products liability, and professional indemnity insurance. Consistent with delivery phase insurances, Sydney Metro's insurable interests are maintained as required by contract.

Contractors and operators are required to notify Sydney Metro of any circumstances which may lead to an insurance claim, particularly where Sydney Metro is included as an insured party under the relevant policy of insurance. In addition to this, insurers accept notifications of claims by contractors and operators as a notification by Sydney Metro, which ensures Sydney Metro is not in breach of the relevant insurance policy. In the event of an insurance claim under the project insurances, contractors and operators deal directly with insurers and loss adjusters and are required to keep Sydney Metro informed of all developments.



4.9 Legal change

Significant judicial decisions affecting Sydney Metro, 2022-23

Perry Properties Pty Limited & ors v Georges River Council

Owners of interests in land known as the Kogarah Hotel brought proceedings against Georges River Council (Council) seeking a declaration that the Proposed Acquisition Notices (PANs) issued for the acquisition of land for public recreation were unlawful and seeking an order restraining the publication of the acquisition notice. The claims were that Council was acquiring the land for an improper commercial purpose, had misled the Minister as to the purpose, and had failed to discharge its obligation under s.10A(2) of the *Land Acquisition (Just Terms Compensation) Act 1991* to make a genuine attempt to acquire the land by agreement with each of the relevant owners of interests in the land prior to giving the PANs.

Just prior to the issue of the PANs, the landowner entered into an option contract with four option grantees which was recorded on title via caveat. Prior to giving the PANs, Council engaged in s.10A negotiations with the landowner and the lessee, but not the option grantees.

The Court dismissed each ground of the appeal finding that the applicants had failed to establish that, at the time the PANs were given, Council was pursuing the acquisition for an unauthorised purpose.

Importantly for acquisition programming, the Court held that on the proper construction of s.10A, not every owner of every 'interest in land' has to be negotiated with under s.10A(2) before a PAN can be issued. That obligation need only be afforded to the person who is in a position to sell the land. Further, non-compliance with s.10A(2) does not affect the lawfulness of a PAN.

Changes in Acts and subordinate legislation

Amendments (during the last Parliament) to legislation administered by the then Minister for Infrastructure, Minister for Cities and Active Transport, Minister for Transport, Minister for Metropolitan Roads and Minister for Regional Transport and Roads are included in the Annual Report of Transport for NSW.

4.10 Privacy and Personal Information Protection Act 1998

Sydney Metro has a Privacy Management Plan in compliance with section 33 of the *Privacy and Personal Information Protection Act 1998* (PPIP Act). The Privacy Management Plan 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* (NSW)
- 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 Privacy Management Plan is available on our website at transport.nsw.gov.au/about-us/transport-privacy#Privacy_Management_Plans

Sydney Metro received one application for access to personal information under section 14 of the PPIP Act during 2022-23. Sydney Metro did not receive any applications for internal review under Part 5 of the PPIP Act during 2022-23.

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

T 02 8202 3768

E privacy@transport.nsw.gov.au

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



4.11 Access to government information

Review of the proactive release program

The *Government Information (Public Access) Act 2009* (GIPA Act) provides an open and transparent process for giving the public access to information from NSW public sector agencies, and to encourage the proactive public release of government information.

Sydney Metro proactively releases information about current and planned projects and initiatives on our website. This ranges from media releases to detailed information about contracts and projects.

TfNSW also actively considers how to be more proactive and ensure greater access to information. The Proactive Disclosure Committee has representatives from agencies within Transport. The Committee meets quarterly to consider information for proactive release and to update the proactive disclosure program.

Further information about Sydney Metro's GIPA processes and the types of information held by the agency is available on the Sydney Metro website <https://www.sydneymetro.info/access-information>

Number of access applications received

Sydney Metro received 17 access applications (including withdrawn applications but not invalid applications) during 2022-23.

Number of refused applications for Schedule 1 information

Sydney Metro refused access to information in four access applications in 2022-23 because the requested information was information referred to in Schedule 1 of the GIPA Act.

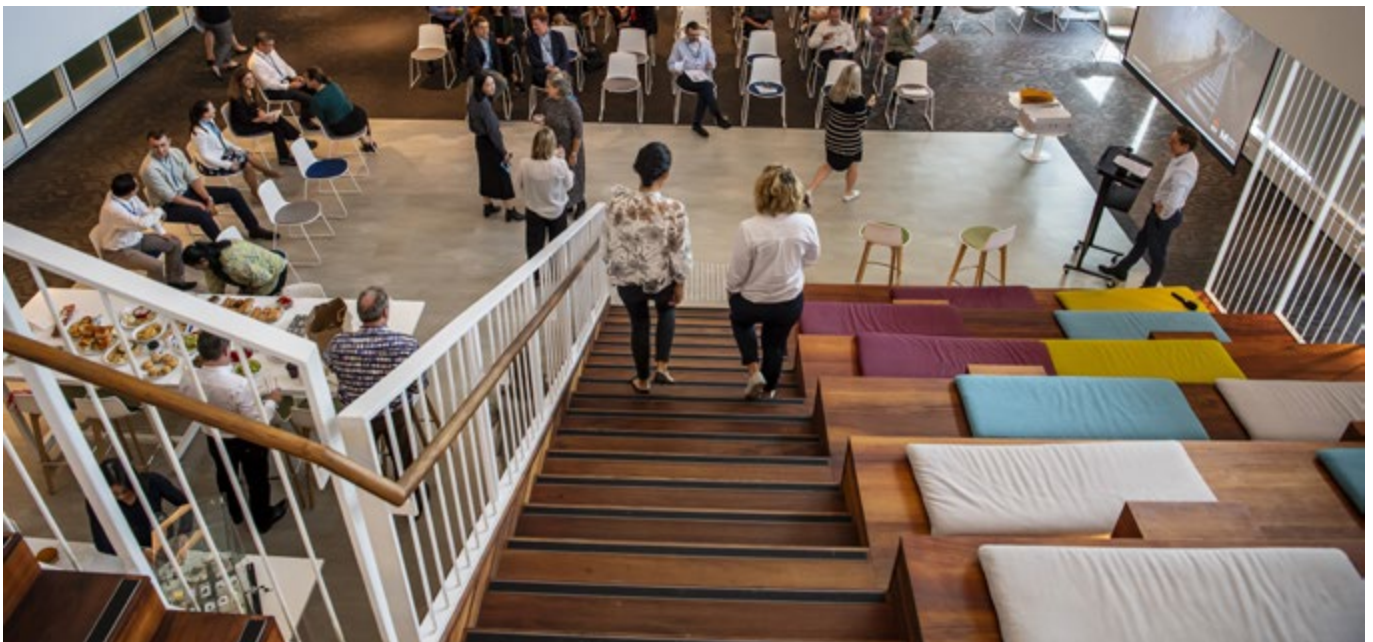


Table A: Number of applications by type of applicant and outcome, 2022-23.

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	0	0	0	0	0	0	0	0
Members of Parliament	0	0	1	0	0	0	0	0
Private sector business	0	0	0	1	1	0	0	0
Not-for-profit organisations or community groups	1	0	0	1	0	0	0	0
Members of the public (by legal representative)	1	0	0	2	0	0	0	0
Members of the public (other)	1	2	0	5	0	0	0	0

Note: 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 decision.

Table B: Number of applications by type of applicant and outcome, 2022-23.

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
Personal information applications	0	0	0	0	0	0	0	0
Access application (other than personal information applications)	2	2	1	3	0	1	0	0
Access application that are partly personal information application and partly other	1	0	0	6	0	0	0	0

Note: More than one decision can be made in a particular access application. If this occurs, each decision must be recorded.

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

Table C: Invalid applications 2022-23.

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

Table D: Conclusive presumptions of overriding public interest against disclosures: matters listed in Schedule 1 of the Act.

Consideration category/type	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	3
Executive Council information	0
Contempt	0
Legal professional privilege	1
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 environment heritage	0
Privilege generally – Sch 1(5A)	0
Information provided to the High Risk Offenders Assessment Committee	0

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

Table E: Other public interest consideration against disclosure: matters listed in table to section 14 of the GIPA Act 2022-23.

Consideration category/type	Number of occasions when application was not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

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

Table F: Timeliness 2022-23.

Timeliness of decision	Number of applications
Decided within the statutory timeframes (20 days plus any extensions)	18
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	18

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







Image: Central Station's centre walk, new lifts to platforms.

Table G: Number of applications reviewed under Part 5 of the GIPA Act (by type or review and outcome) 2022-23.

Type of review	Decisions varied	Decisions upheld	Total
Internal review	0	0	0
Review by Information Commissioner	0	1	1
Internal review following recommendation under section 93 of the GIPA Act	0	0	0
Review by NSW Civil and Administrative Tribunal (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 GIPA Act (by type of applicant).

Type of applicant	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information on the subject of access application relates (see section 54 of the GIPA Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the GIPA Act (by type of transfer).

Type of transport	Number of applications transferred
Agency-initiated transfer	0
Applicant-initiated transfer	2

4.12 Public interest disclosures

Project description	Made by public officials performing their day to day functions	Under a statutory or other legal obligation	All other PIDs
No of public officials who made public interest disclosures	12	0	0
No of public interest disclosures received	12	0	0
Of public interest disclosures received, how many were primarily about:			
• Corrupt conduct	12	0	0
• Maladministration		0	0
• Serious and substantial waste	0	0	0
• Government information contravention	0	0	
• Local government pecuniary interest contravention	0	0	
Total	12		
No of public interest disclosures (received since 1 January 2012) that have been finalised in this reporting period	8		

Compliance

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

Actions taken to ensure staff awareness of responsibilities under section 6E(1)(b) of the PID Act have been met, including the following:

- The Sydney Metro Public Interest Disclosure and Internal Reporting Procedure, list of Nominated Disclosure Officers and Transport Code of Conduct are published on the Sydney Metro intranet.
- A number of internal fraud and corruption awareness presentations have been held for Sydney Metro personnel under the PID Act as well as outlining the reporting channels for public interest disclosures in Sydney Metro.
- Sydney Metro has arranged for presentations by the Independent Commission Against Corruption on the progress and outcomes of recent inquiries into other Transport agencies.

Public interest disclosures awareness fact sheets are published on the Sydney Metro intranet and TfNSW intranet.

05

Sustainability





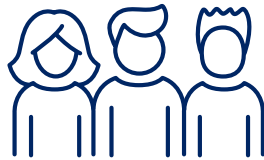
Image: New garden at Bidgee Bidgee bridge near Parramatta.

5.1 Sydney Metro highlights

One railway line in operation and three railways under construction



3.7%
highest levels of representation recorded to date for **employees with disabilities**



More than **39.8%** of our leadership positions are held by women, on track to achieve 40% target by 2040



100% Sydney Metro Western Sydney Airport Carbon Neutral commitment



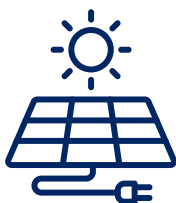
48% Portland cement replacement across projects



Metro West Sustainability Plan published



100% of clean spoil beneficially reused



Sydney Metro procured large-scale generation certificates (LGCs) under a long-term Green Products Purchase Agreement with the Beryl Solar Farm in regional NSW and retired 85,605 LGCs equivalent to **100% of 2022** operational electricity consumption.



Sydney Metro's Environmental Management System (EMS) was successfully recertified to International Standard 14001:2015



5000 students/teachers along our alignments and carried out **50 events** as part of our fast tracking future program



>350 kg of plant material collected as part of Cumberland Plain Woodland restoration efforts

5.2 Our approach to sustainability

Sydney Metro is committed to supporting NSW Government policy and the United Nations (UN) Sustainable Development Goals (SDGs) by working with our stakeholders to deliver environmental, social and economic benefits.

Sydney Metro is making a positive contribution to the following nine UN SDGs.



Sydney Metro’s approach to sustainability is governed by the Sydney Metro Environment and Sustainability Statement of Commitment, which outlines our commitment to:

- minimising our impact and leaving a positive environmental and social legacy
- delivering a resilient asset and service for our passengers
- collaborating with stakeholders to innovate and drive sustainable outcomes
- embedding sustainability into our activities.

The Statement of Commitment was updated this year to specifically communicate our commitment to the prevention of modern slavery in our operations and supply chain.

The Sydney Metro Sustainability Framework (2020–2025) outlines our approach to delivering sustainable outcomes across the business and articulates six sustainability principles (refer to Figure 1) which align to the key areas of sustainability, risk and opportunity. The Statement of Commitment and Sustainability Framework are supported by project-specific sustainability strategies and plans.



Image: Gardens at Cherrybrook Station.

Figure 1: Sydney Metro sustainability principles



The City & Southwest Sustainability Strategy, the Western Sydney Airport Sustainability Plan and Metro West Sustainability Plan (published in October 2022), include sustainability targets and measures for success and provide a roadmap for the achievement of sustainability outcomes on our projects.

Sydney Metro is on track to achieve or exceed 95 per cent of our sustainability targets, including targets relating to construction waste recycling, spoil reuse, reduction of carbon emissions during construction, and community benefit initiatives.

Figure 2: Summary of performance against sustainability targets.

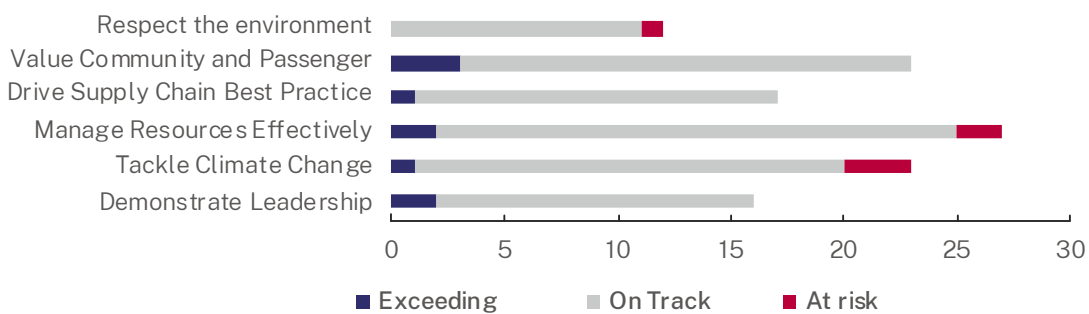




Image: Conveyor belt. Spoil storage and removal Marrickville Dive site.

Examples of at-risk targets include those relating to recycling of construction office waste and provision of onsite renewable energy, which are being addressed through collaboration with delivery partners. Sustainability performance and initiatives are described in more detail below and in the Sydney Metro Sustainability Reports.

Sydney Metro has identified the following enterprise-level sustainability risks and opportunities:

- Risk that sustainability and carbon neutral commitments will not be met
- Risk that climate change impacts will not be adequately considered, or the response may not meet stakeholder expectations
- Risk that carbon abatement and offset costs may increase the cost of construction and operation
- Risk that reasonable steps to prevent the occurrence of modern slavery in our supply chain have not been implemented
- Opportunity that advances in policies, collaboration and technology may create decarbonisation opportunities in our supply chain which result in reduced costs and social and environmental benefits.

A range of actions, including but not limited to those described in this report, have been undertaken throughout the year to mitigate these risks and investigate opportunities.

Sustainability ratings

In 2022-23 the Sydney Metro City & Southwest project achieved the following industry-accredited sustainability ratings:

- Central Station achieved a 'Leading' Infrastructure Sustainability rating for its Design stage submission.
- The Sydenham Station and Junction (SSJ) package achieved a 'Leading' Infrastructure Sustainability As-built rating.
- Bankstown Early Works achieved a Gold rating in accordance with TfNSW Sustainable Design Guidelines.

The Sydney Metro – Western Sydney Airport and Sydney Metro West projects are also targeting high Infrastructure Sustainability and Green Star ratings for infrastructure and buildings.

NSW Banksia Future Cities Award

Sydney Metro was awarded the NSW Banksia Foundation Future Cities Award in 2022 for creating a custom Green Star rating tool in partnership with the Green Building Council of Australia which can be applied to railway stations. All seven Metro City & Southwest underground stations have achieved a 6 Star "World Leadership" Green Star – Custom (Sydney Metro) Design Review rating in recognition of their strong sustainability performance.

Following on from this success, for driving sustainability innovation in railway infrastructure and achieving world leading design ratings, Sydney Metro was nominated as a finalist in the Banksia Foundation's National Sustainability Awards in 2023.

5.3 Environment

Environmental management system

Environmental Management System recertification

Sydney Metro's Environmental Management System (EMS) was successfully recertified to International Standard 14001:2015 – Environmental management systems – Requirements with guidance through Intertek SAI Global in June 2023. This is the first recertification of Sydney Metro's EMS since its initial certification in July 2020.

The recertification process involved extensive review of Sydney Metro's standards, systems and procedures, in conjunction with two site inspections on Metro City and Southwest, and Sydney Metro West projects to determine compliance with the requirements of the international standard. Through this process:

- no non-conformances were identified
- the minor non-conformance identified during the 2022 EMS Surveillance Audit has now been closed.

Sydney Metro is committed to regularly reviewing its EMS and ensuring actions are taken to continually improve its standards, systems, procedures and ongoing environmental performance.

Environmental management plans

Minimum acceptable environmental management standards for construction related activities are established through our Construction Environmental Management Framework, which applies to all Principal Contractors when developing Construction Environmental Management Plans and sub-plans.

Environmental compliance

Across the Sydney Metro program throughout 2022-23 there were:

- Zero Class 1 environmental incidents
- Zero Class 2 environmental incidents
- 149 Class 3 environmental incidents. These incidents caused no material harm to the environment as defined by the *NSW Protection of the Environment Operations Act 1997*.

Overall, there has been a reduction in the number of environmental incidents across Sydney Metro projects, compared to 2021-22 financial year.

Compliance tracking with relevant planning approval requirements recorded a total of 85 non-compliances as of 30 June 2023 which is a reduction from the number reported during the 2021-22 financial year. The majority of the non-compliances related to management systems and noise and vibration and have been responded to in a timely manner.

Climate change

Sydney Metro is aligned with the NSW Government's commitment to taking effective action on climate change and has made significant progress in decarbonising our infrastructure and managing climate change risks.

Sourcing electricity from renewables

Sydney Metro remains committed to using zero emission electricity for its Metro operations. In 2022-23, the Metro North West Line operations consumed 84,134 megawatt hours (MWh) of electricity. Sydney Metro offsets 100 per cent of its operational electricity consumption on a calendar year basis. In the year in review, Sydney Metro procured large-scale generation certificates (LGCs) under a long-term Green Products Purchase Agreement with the Beryl Solar Farm in regional NSW and retired 85,605 LGCs equivalent to 100 per cent of 2022 operational electricity consumption.

Options for sourcing zero-emission electricity have been explored for the Sydney Metro City & Southwest operations.

A 1.1 megawatt solar panel array on the roof at the Tallawong Trains Facility continues to provide power for the facility and some of our stations. As part of the Sydney Metro City & Southwest project, solar panel arrays have been installed at the new Marrickville Trains Facility and at service buildings along the Bankstown line to supplement those installed in April 2022 at Central Station and in December 2021 at Sydenham Station.

Carbon neutral commitment

The Western Sydney Airport project has committed to being certified carbon neutral. Carbon emissions through construction and operations will be reduced, and emissions which cannot be eliminated will be offset.

Construction stage carbon reductions

Sydney Metro is on track to achieving a target of at least 20 per cent reduction in carbon emissions associated with construction (compared to business-as-usual construction practices) through a range of energy and materials efficiency measures. Construction stage carbon emissions for 2022-23 are detailed in the table below.

Table 15: Carbon emissions associated with construction 2022-2023.

	Carbon emissions (tonnes CO2 equivalent)	
	Method 1*	Method 2**
Scope 1 – Direct emissions (e.g. from fuel use)	13,884	13,884
Scope 2 – Indirect emissions from electricity use	16,121*	8581**
Scope 3 – Indirect emissions excluding Scope 2 (e.g. associated with manufacture of materials used in construction)	133,220	133,220
Total	163,225	155,685

* Location-based electricity accounting method, which reflects the average emissions intensity of grids on which energy consumption occurs, and the market-based methods aligned with the Climate Active Electricity Accounting Rules and the Greenhouse Gas Protocol Scope 2 Guidance.

** Market-based calculated emissions reflect emissions from electricity that companies have purposefully chosen and capture the use of voluntary purchases of renewable energy such as GreenPower and Large-Scale Generation Certificates (LGCs).

Climate resilience

Sydney Metro aims to increase resilience to a changing climate through an ongoing process of assessing, managing and communicating our climate risk.

We also participated in the NSW Government Climate Risk Preparedness survey and were assessed to have achieved a “systematic” to “advanced” level of climate risk management maturity.

Resource efficiency

Materials reuse and recycling is a key focus for Sydney Metro, and all projects have waste and water reduction targets. Sydney Metro achieved its target to beneficially reuse 100 per cent of all clean spoil (crushed rock and soil) generated on projects in 2022-23. Each project also has targets for the recycling of construction and demolition waste, all of which were exceeded this financial year.

Table 16: Construction and demolition waste recycling 2022-2023.

	Target	Generated (t)	Reused or Recycled (t)	Percentage achieved
Sydney Metro West	90%	64,929	64,531	99%
Sydney Metro City & Southwest	90%	26,109	24,315	93%
Sydney Metro – Western Sydney Airport	95%	32,313	31,860	99%
Total		123,351	120,706	98%

Concrete makes up a significant proportion of the embodied carbon of Sydney Metro projects. Limits on the use of Portland cement and a minimum requirement of 25 per cent of supplementary cementitious materials (SCM) such as waste fly ash and granulated ground blast furnace slag significantly reduces our carbon dioxide emissions from concrete. This financial year, Sydney Metro achieved an average of 48 per cent Portland cement

replacement across projects. The tunnel segments which have been designed for the Western Tunnelling Package on the Sydney Metro West project include the highest proportion of waste materials replacing Portland cement (50 per cent slag) of any Sydney Metro project to date and will make a significant contribution to reducing the embodied carbon associated with the project.

Table 17: Concrete use during construction 2022-23.

	Concrete used (m3)	Percentage of SCM replacement
Sydney Metro West	117,902	48%
Sydney Metro City & Southwest	55,262	42%
Sydney Metro – Western Sydney Airport	143,536	51%
Total	316,700	48%

Sydney Metro seeks to reduce water consumption and encourages contractors to reduce water usage and use non-potable 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.

Table 18: Potable and non-potable water use for construction 2022-23.

Water used for construction (kilolitres)	
Potable	183,928
Non-potable	64,090
Total consumption	248,018
Percentage of water from a non-potable source	26%

Managing biodiversity

Sydney Metro projects are being constructed in accordance with legislated environmental requirements, Environment Protection Licences (where applicable) and planning approvals. Work has also been completed toward enhancing biodiversity within our project footprint.

Sydney Metro takes a hierarchical approach to conservation and biodiversity offsetting. The first priority is conservation and although the planning approvals provide consent to clear native vegetation, our delivery partners are incentivised to minimise the amount of disturbance and clearing across our projects.

For example, the Metro Western Sydney Airport project has a process that requires no clearing to commence until demonstrated necessary. This is facilitated through the upfront purchase of 75 per cent of all the biodiversity offsets identified in the planning approval. These offsets are retired progressively as the delivery partners identify (and reduce) clearing extents. Current projections indicate that the extent of clearing will be at least 9 Hectares (90,000m²) less than was assessed at the start of the project. This means that there will be more mature Cumberland Plain Woodland across the corridor to help with revegetation.

Sydney Metro – Western Sydney Airport Cumberland Plain Woodland species conservation

The Western Sydney Airport project is undertaking a seed collection program to preserve native and endemic vegetation species, particularly the critically endangered Cumberland Plain Woodland ecological community which is impacted by the project. The seed collected from the project area will be used to restore and enhance biodiversity throughout the corridor once construction is complete, creating a legacy for the new Western Parkland City.

Sydney Metro engaged Muru Mittigar, a Supply Nation registered organisation based in Western Sydney, to carry out the seed collection works. Muru Mittigar is a social enterprise that provides employment opportunities and financial counselling for Indigenous Australians, while fostering a better understanding of Aboriginal culture in the wider community.

To date, over 350kg of raw material from trees, shrubs and grasses has been cleaned and sorted down to over 20kg of pure seed with over 150kg more to be cleaned over the winter months. It is estimated that there would be more than 100 individual seeds per gram, meaning 20kg of seed could potentially yield more than 2 million individual plants.

5.4 Social

Embracing inclusion and diversity

We value and remain committed to having a workforce that represents the customers and community we serve.

The table below shows our trends in the representation of equal employment opportunity groups, as a portion of our workforce.

Table 19: Sydney Metro workforce diversity

Workforce diversity group	Benchmark (by 2025)	2020-21	2021-22	2022-23
Women	50%	29%	47.4%	47.9%
Women in leadership	40.0%	38.6%	39.8%	39.8%
Aboriginal and Torres Strait Islander people	3.0%	2.6%	2.2%	2.3%
People with a disability	5.6%	1.3%	2.3%	3.7%
People with a disability requiring work-related adjustment	N/A	4.7%	0.0%	0.0%

Note: 2022 figures have been adjusted to rectify an anomaly found in the FY2021/22 report.

This year our emphasis has been on building an inclusive environment and driving diversity, across three key dimensions:

- **Empowering women in leadership**

Aligned with Sydney Metro's commitment to achieving 40 per cent women in leadership positions by 2025, we are proud to report that 39.8 per cent percent of our leadership positions are held by women.

This year we continued to provide an environment that fosters growth and development programs, sponsored attendance at the Women in Leadership Summit and reviewed roles to better enable flexible working arrangements and job share opportunities. With such initiatives we continue to stride forward in bridging the gender gap within our organisation.

- **Championing Aboriginal employment**

We aspire to achieve an overall representation target of 3 per cent Aboriginal employees at each award grade by 2025, which is a new target set out in the TfNSW Stretch Reconciliation Action Plan. At the end June 2023, 2.3 per cent of award grade staff are Aboriginal and Torres Strait Islander employees.

We also align ourselves with the NSW public sector ambition to enhance the presence of Aboriginal people in senior leadership roles. Although we have made great progress in representation and the inclusion of Aboriginal talent and fostering a sense of belonging and cultural enrichment, we acknowledge that we have a lot of work to do and are committed in our endeavours to increase representation of Aboriginal employees within our workforce.

• **Advocating for employees with disabilities**

This year we saw the highest levels of representation recorded to date for employees with disabilities, with representation being 3.7 per cent of our workforce.

Our success has been a direct result of targeted initiatives, such as identifying roles that may be suitable for disability employment, utilising ‘tailored talent’ programs including for people with autism, increasing Public Service Commission Disability Awareness training and employee’s diversity data completion rates.

Our aim is to continue to create an environment that not only embraces diversity but also empowers everyone to thrive and contribute their unique perspectives.

Outside of our three prioritised focus areas, we continue to champion diversity through the celebration of significant

events and dates, including commemorating National Reconciliation Week, NAIDOC Week, International Day for the Elimination of Racial Discrimination, International Day for People with Disability, Autism Awareness Month, Wear it Purple Day, and International Women’s Day.

As we look back on our accomplishments, we remain steadfast in our commitment to building an inclusive workplace that thrives on diversity and contributes to a more equitable future.

Work, health and safety

Health and Safety Performance

In 2022-2023, construction activities on the Sydney Metro program expanded significantly including dynamic train testing on the City and South West project and tunneling on Sydney Metro West and Western Sydney Airport projects.

Table 20: Summary of Health and Safety performance for Sydney Metro, 2022-2023.

Measure	2021-22	2022-23
Number of incidents reported (Sydney Metro Head Office)	3	5
Number of events reported to Office of the National Rail Safety Regulator (Sydney Metro as Rail Infrastructure Manager)*	87	15
Number of Lost Time Injuries due to workplace-related injury or illness	3	3
Prosecutions reported	0	0

* Only Category A & B events included (excludes Cat C), noting as of 1 July 2022 the Office of the National Rail Safety Regulator (ONRSR) revised the reporting criteria for Category A and B events across all Occurrence Types.

Table 21: Summary of Health and Safety performance for Sydney Metro’s Principal Contractors, 2022-2023.

Measure	2021-22	2022-23
Number of Significant Incidents reported**	118	226
Number of Lost Time Injuries due to workplace-related injury or illness	22	24
Prosecutions reported	0	0

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



Image: Metro Minds STEAM Challenge Finalist Event 2022.

Health and Safety Strategy

Sydney Metro's Health and Safety 2030 Vision is 'delivering and operating a world-class metro that keeps our people and passengers safe from serious injury or illness'. The Vision is supported by three key strategic goals over 2021-24:

- strengthen health and safety leadership capability across our operations and industry
- drive innovation in our work and operational practices to eliminate and reduce high-risk work
- transform the measurement of health and safety to improve performance.

The following achievements supported these strategic goals over 2022-23, including:

- Designed and implemented a revised Audit and Assurance Program to verify Principal Contractor conformance with Sydney Metro's health and safety standards, including provisions for new works audits, detailed systems audits and targeted hazard or risk-based audits.
- Supported the commencement of dynamic train testing including management of track clearances, coordination of emergency response planning, consultation with Fire Rescue NSW, relevant induction and risk training, critical control identification and ongoing surveillance of control implementation.

- A comprehensive review on control measures to manage psychosocial hazards was conducted with relevant stakeholders in response to the updated Work Health and Safety regulations (2022). Updates were made to our Health and Safety Management system to strengthen the management of psychosocial risk.
- Co-established (with TfNSW) the foundations of MyHSE Ngara, a new health, safety and environment data capture platform that will enhance data-driven health and safety decision-making. This platform will be implemented throughout 2023-24 financial year.
- Stood up a new Health and Safety Systems and Capability team to provide a framework for continued and systemic health and safety uplift and consistent implementation of systems.
- Supported the development and establishment of the Construction Logistics and Community Safety – Australia (CLOCS-A) Scheme with industry and external stakeholders, resulting in the publication of a national industry standard and the successful launch of the scheme's host organisation.

Our social responsibility

Sydney Metro works with local communities along our alignments during the planning phase, while we are constructing and beyond into the operations phase of our projects. We partner with organisations that reflect our values and combined seek to enhance local communities.

Fast Tracking the Future program

Fast Tracking the Future is a school education program that provides syllabus aligned experiences for K-10 students. It aims to support students along the Sydney Metro alignment to become successful learners, confident and creative individuals, and active and informed citizens. We do this by providing teacher-developed learning activities that link to the Sydney Metro project, its purpose, construction, environmental and social context. We have engaged with more than 5000 students/teachers along our alignments and carried out 50 events. The Metro Minds competition is in its 6th year and continues to attract more students and entries.

Vinnies CEO Sleepout 2023

The Sydney Metro City & Southwest, Sydney Metro West and Sydney Metro –Western Sydney Airport Project Directors and the Chief of Staff participated in the annual Vinnies CEO Sleepout on 22 June 2023. The initiative was supported by engagement activities across the organisation, raising more than \$25,000 for people experiencing homelessness.



Image: Sydney Metro Executives at Vinnies CEO sleepout 2023.



Image: Fast Tracking The Future School Holidays.

Delivery partner initiatives

In 2022-23 our delivery partners supported local communities with the following initiatives as part of their work with Sydney Metro:

- engaging students through interactive STEM workshops and school visits including during National Road Safety Week
- engaging social enterprise Mates On The Move to collect disposable coffee cups for recycling
- participation in Clean-up Australia Day and Cooks River clean ups
- support for Concord community gardens group including funding towards new facilities
- upgrade to Marrickville community garden
- donation to Mum2Mum Lakemba to assist newly arrived women from culturally and linguistically diverse backgrounds practice their English language skills and settle in Australia
- support to various charities including Wear it Purple Day to support LGBTQIA+ young people, and raising funds for Youth Off The Streets to support homeless young people
- partnered with Pass it On Clothing & Co, a social enterprise who provide donated clothing directly to those in need – staff donated clothes to assist homeless people
- coffee cart training for the local community in Burwood
- funding, plants and educational supplies donated to a number of childcare centres
- participation in the Wayside Chapel Long Walk Home
- supporting sick children through a \$10,000 donation to Supertee The foundation provided almost 200 medical garments to sick children at the Westmead Children's Hospital. Staff members also helped with packaging the Supertee bundles.
- supporting Tribal Warrior's operations by doing minor refurbishment on their maritime training boats. Tribal Warrior aims to revitalise Aboriginal culture through economic and social stability.
- volunteering with Rozelle Neighbourhood Centre. This involved organising, packing food donation bags and cooking meals for recipients of the Rozelle Neighbourhood Centre services over a 5-month period.
- supporting the Touched by Olivia Foundation by providing casual employment for three (3) people with disabilities and providing funding to re-start the Storytime program in Five Dock, which provides a place for local families to connect.
- participating in the St Mary's Small Business Promotion Program by distributing vouchers to community members to promote small businesses.
- organising a charity soccer match to benefit Youth Off the Streets, raising \$7800.

Sustainable supply chain

Sydney Metro hosts quarterly contractor sustainability forums, where sustainability-related innovations and challenges are shared and discussed. These forums have been successful in facilitating open collaboration and fostering best practice amongst our delivery partners. Four forums were held in 2022-23.

Sydney Metro is committed to the prevention of modern slavery in our operations and supply chains. Our first Modern Slavery Report is provided in Appendix 1.



Image: Volunteers transporting medical garments to Westmead Children's Hospital.

Appendix 1: Modern Slavery Report 2022-23

This is our first Modern Slavery Report that provides information on the potential risks in our supply chain and the actions we have taken this year.

This report is provided by Sydney Metro in accordance with section 31(1)(b) of the Modern Slavery Act 2018, which requires:

a statement of steps taken to ensure that goods and services procured by and for Sydney Metro during the financial year (2023) were not the product of modern slavery within the meaning of the Modern Slavery Act 2018.

Sydney Metro, in complying with its obligations, has had regard to guidance available at the time of preparation from both the Anti-slavery Commissioner and the NSW Procurement Board. It is acknowledged that, as additional guidance and recommendations become available, further work will be required to align our practices, and fully embed changes to our systems.

Sydney Metro's operations and supply chains

Sydney Metro is the NSW Government agency tasked with planning, procurement and management of the delivery and operations of the high-capacity, high-frequency metro network across the Greater Sydney region. The principal objectives of Sydney Metro 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.

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

Detailed information on Sydney Metro's structure and operations are described within this Annual Report.

Sydney Metro's supply chain includes the following broad categories of suppliers / service providers:

- Complex major construction and operations contract packages with a value over \$20 million
- Construction contract packages with a value under \$20 million
- Professional services
- Labour hire of contingent workforce
- Miscellaneous minor goods and services

The first tier of our supply chain comprises foreign-owned entities domiciled in Europe or Asia which have offices based in Australia. Suppliers and subcontractors to our first-tier supply chain may be based in Australia or internationally.

Procurement and management of goods and services associated with Sydney Metro's office operations and fleet management (including, for example, office supplies, office cleaning and maintenance, waste management, IT equipment) is the responsibility of Transport Shared Services, which is part of TfNSW. A Modern Slavery Report has been prepared by TfNSW which includes these activities within its scope.

Sydney Metro does not own or control any entities.

No issues (significant or otherwise) have been raised by the Anti-slavery Commissioner concerning the operations of Sydney Metro.

Risks of modern slavery practices

Sydney Metro has conducted a modern slavery risk assessment to determine the likely level and nature of modern slavery risks which may be associated with each main procurement category, using guidance provided by the NSW Government (buynsw).

Procurement category	Risk Factors	Inherent Risk Level
Complex major construction and operations contract packages over \$20 Million	<ul style="list-style-type: none"> Construction Long complex supply chains Limited visibility of the supply chain beyond delivery partners Potential for manufacture of equipment and materials, and extraction of materials, in high risk countries Potential for time pressure on subcontractors on supply chain 	High
Construction contract packages under \$20 Million	<ul style="list-style-type: none"> Construction Shorter simpler supply chains Lower potential for high risk materials Potential for time pressure on subcontractors on supply chain 	Medium
Professional services contracts	<ul style="list-style-type: none"> Professional services with reputable service providers/consultancies Often sourced from a NSW Government Scheme Small risk related to international resources 	Low
Labour hire of contingent workforce	<ul style="list-style-type: none"> All labour hire is from within Australia Regulated by a NSW Government Scheme 	Low
Miscellaneous minor goods and services	<ul style="list-style-type: none"> Some risk related to sourcing of materials from high risk countries 	Low

For our highest risk major construction procurement category, risks are inherent in the procurement of asphalt, gravel, concrete, metals, construction labour, general machinery and equipment, electronics and electronic components.

Actions taken by Sydney Metro

Sydney Metro is working closely the Anti-Slavery Commissioner’s working group and the TfNSW Modern Slavery Prevention working group to develop practical approaches to the prevention of modern slavery in our operations and supply chain and has established a dedicated internal working group to support implementation of obligations with the objective of embedding practices as part of our business-as-usual.

Sydney Metro is using a risk-based approach to taking reasonable steps for the prevention of modern slavery, targeting the highest inherent risk activities as the highest priority. Actions taken in the reporting period include:

- the completion of screening risk assessments
- update of key policies, procedures and procurement documents
- development and implementation of modern slavery contract clauses
- assessing the effectiveness of modern slavery prevention actions
- training and industry engagement

Risk Assessment

A screening level risk assessment, as described above, has been undertaken to identify key areas of risk and enable prioritization of actions.

Sydney Metro has reviewed contracts executed since January 2022. Where contracts were executed prior to the development of specific modern slavery provisions that have a high inherent risk of modern slavery, work started to include contractual requirements relating to as of 30 June 2023, only one contract remains outstanding with contract amendment underway.

Update of key policies, procedures and procurement documents

To ensure Sydney Metro is taking reasonable steps to prevent modern slavery in our supply chain throughout the procurement lifecycle, we are progressively updating our policies and procedures to include modern slavery considerations. The following policies and procedures have been updated during the reporting period.

Procurement category	Risk Factors
Organisation –wide	Sydney Metro Environment & Sustainability Statement of Commitment Commenced review and update of procurement standard, procedures, tools and templates as part of the Procurement and Contract Management Innovation Program which will be launched in July 2023
Major complex construction projects	Request for Tender documents and a Returnable Schedule Tender Evaluation Procedure Contract Deed amendments based on model contract clauses provided by both NSW Treasury and TfNSW General Specification which includes requirements for contractors to develop and implement Sustainability Plans (including modern slavery) and undertake regular reporting (the General Specification is distributed to suppliers at the Request for Tender stage of the procurement process and at contract award)
Professional services procurement	Services Brief Professional services contract template

Assessment of effectiveness

Sydney Metro has included provisions within its major construction contracts aimed at the prevention of modern slavery associated with the supply chain. Contractors have prepared, and are implementing, management plans which demonstrate their procurement approaches and are undertaking periodic reporting. Sydney Metro has:

- Reviewed management plans and reports to identify any potential modern slavery concerns on our projects
- Reviewed FY2022 Modern Slavery Statements prepared by our delivery partners under Commonwealth modern slavery legislation to gain an awareness of potential risks and responses.

No issues of concern were noted.

Sydney Metro participated in a "Gaps and Opportunities" review which was coordinated by TfNSW for the purpose of informing its approach to the prevention of modern slavery. Relevant outcomes of this review will be considered in the further development of Sydney Metro's approach.

Sydney Metro will develop and implement a process for assessing the effectiveness of our actions to prevent modern slavery as a next step.

Training and industry engagement

All team members within the Sydney Metro Procurement and Contract Management (P&CM) functional group are required to undertake the NSW Treasury buy.nsw "Modern Slavery in Procurement" training modules.

Additional training modules have been identified for Sydney Metro personnel who will be involved in the following activities next financial year:

- the evaluation of tender stage modern slavery returnable schedules for the procurement of major construction contracts
- review of construction contractor plans for the prevention of modern slavery
- assessment of construction contractor compliance with plans for the prevention of modern slavery.

The majority of Sydney Metro's delivery partners for major construction and operations contracts are subject to reporting under the Modern Slavery Act 2018 (Cwlth) and have an existing awareness of potential risks and practices for the prevention of modern slavery in their supply chains.

Modern slavery was discussed at a quarterly Contractor Sustainability Forum, which includes representation from each of the major construction and operations delivery partners, within the reporting period.

Next steps

Sydney Metro will:

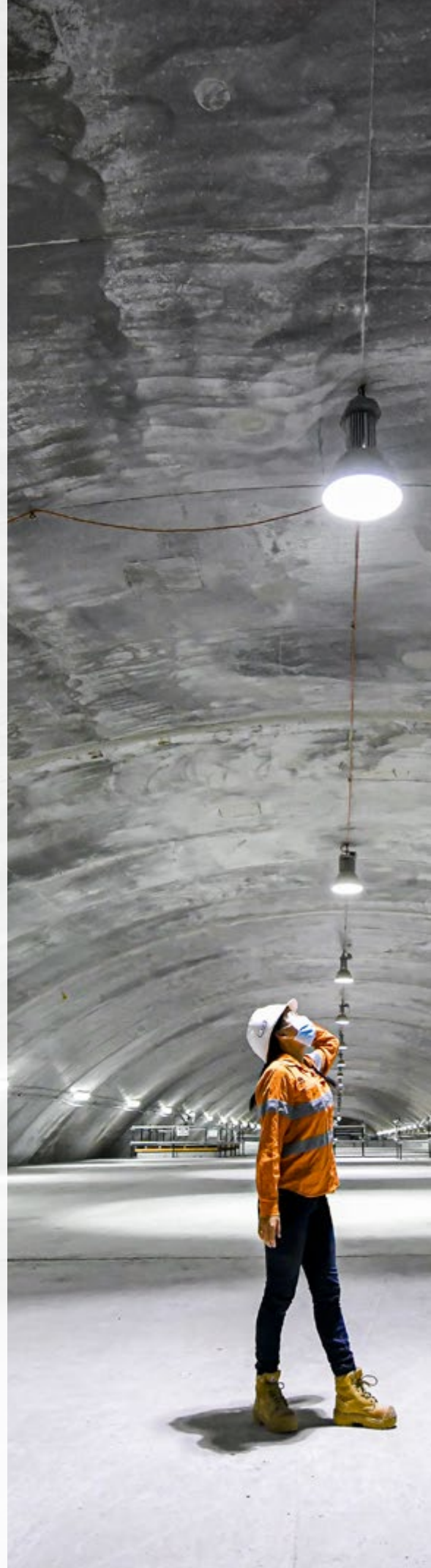
1. Review forthcoming guidance from the Anti-slavery Commissioner on contract provisions, reporting requirements, and remediation actions to identify any further changes which may be needed to contracts, internal procedures and reporting.
2. Continue to engage at the sector and whole of government level at the Anti-Slavery Commissioner's working group and any other relevant procurement forums.
3. Update the remaining major construction contracts to include modern slavery clauses.
4. Identify and implement appropriate modern slavery clauses for minor construction contracts.
5. Complete the review and update of procurement standard, procedures, tools and templates as part of the Procurement and Contract Management Innovation Program.
6. Co-ordinate with TfNSW on a broader and more comprehensive modern slavery training program, to raise awareness and enhance capacity for addressing modern slavery issues.
7. Undertake market engagement to communicate our expectations to our supply chain.
8. Develop and implement a process for assessing the effectiveness of our actions to prevent modern slavery.
9. Engage with high-risk suppliers (major construction contractors which have been identified using the risk screening identified above) to agree on key performance indicators relating to modern slavery.



Image: Solar panels are being installed as part of Sydney Metro's major upgrade of Central Station.

06

Financial Performance







Revenue and expenses

Sydney Metro received \$6.3 billion for 2022-23 (FY2021-22: \$7.6 billion) in Government grants and other contributions towards capital projects and operations and \$0.2 billion (FY2021-22: \$0.4 billion) of income from operating activities (including cost recovery from other entities). Sydney Metro incurred \$1.0 billion

(FY2021-22: \$1.2 billion) in operating expenses, grants and subsidies, depreciation, finance costs and other expenses. Other comprehensive income for the year was \$2.34 billion (FY2021-22: \$1.7 billion) which related to asset revaluation.



Central Station clock.

Capital Expenditure

Sydney Metro's total capital expenditure for the year was \$7.4 billion (FY2021-22: \$6.1 billion). Sydney Metro was also engaged in the delivery of capital works for Transport Asset Holding Entity (TAHE) assets throughout the year, totalling \$212 million (FY2021-22: \$391 million).

Sydney Metro Annual Report

Volume 1
2022-23

Sydney Metro

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Sydney Metro Annual Report



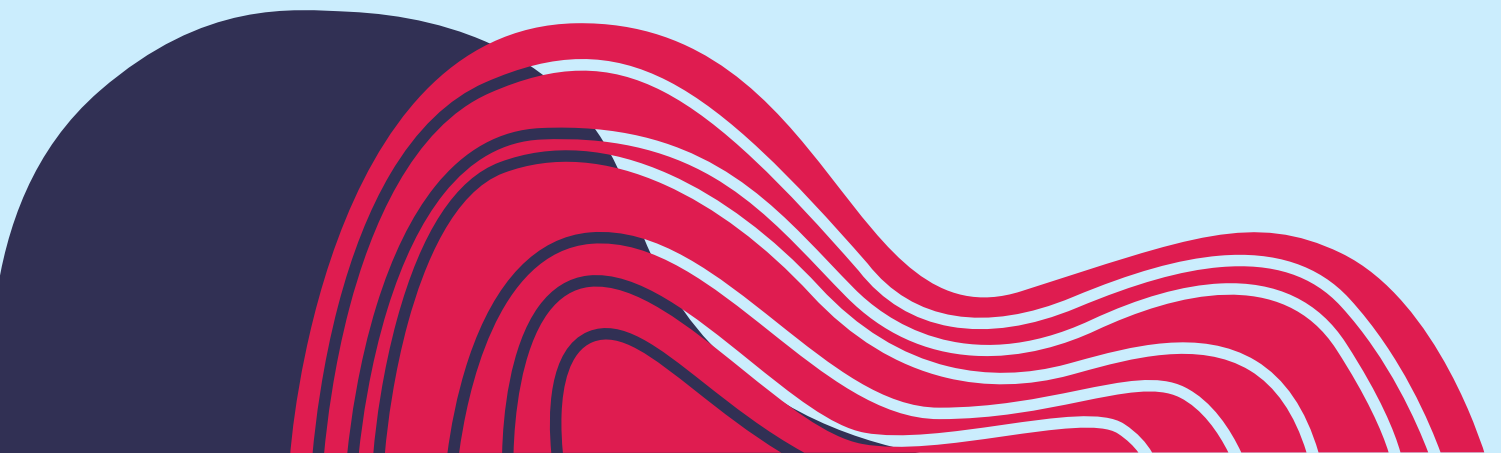
Volume 2
2022-23

[sydneymetro.info](https://www.sydneymetro.info)



Sydney Metro

Annual Financial Statements
for the year ended June 2023





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 comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Summary of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of 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 (including Independence Standards)' (APES 110).

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

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

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

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

The Board's Responsibilities 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, the GSF Act, GSF Regulation and Treasurer's Directions. The Board's responsibility also includes 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

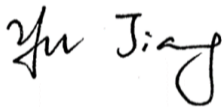
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

- that Sydney 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.



Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

3 November 2023
SYDNEY

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Sydney Metro

Statement by the Accountable Authority

for the year ended 30 June 2023

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), on behalf of the Board we state that:

- (a) The accompanying financial statements have been prepared in accordance with:
 - Applicable Australian Accounting Standards including Australian Accounting Interpretations;
 - The applicable requirements of the Act and Government Sector Finance Regulation 2018; and
 - Treasurer's Directions issued under this Act;
- (b) These financial statements present fairly the financial position of Sydney Metro as at 30 June 2023, and of its financial performance and cash flows for the year then ended.



John Arthur
Chairman

Date: 2 November 2023



Bob McKinnon
Director

Date: 2 November 2023

Sydney Metro

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	Budget 2023 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
Expenses excluding losses				
Personnel service expenses	2(a)	28,637	46,706	33,941
Operating expenses	2(b)	202,318	152,688	233,790
Major rail project expense	2(c)	-	212,319	391,145
Depreciation and amortisation	2(d)	236,379	233,071	227,586
Grants and subsidies	2(g)	295,100	128,243	84,207
Finance costs	2(e)	75,494	90,887	77,913
Other expenses	2(f)	72,694	109,312	107,936
Total expenses excluding losses		910,622	973,226	1,156,518
Revenue				
Sale of goods and services from contracts with customers	3(a)	116,729	7,846	3,492
Investment revenue	3(b)	14,251	13,611	4,765
Grants and other contributions	3(c)	8,389,335	6,262,469	7,617,939
Major rail project revenue	3(d)	-	212,319	391,145
Resources received free of charge	3(e)	-	4,182	2,304
Other income	3(f)	81	3,082	2
Total revenue		8,520,396	6,503,509	8,019,647
Gain on disposal	4	66,000	49,672	95,896
Other gains/(losses)	5	-	(998,479)	(854,584)
Net result		7,675,774	4,581,476	6,104,441
Other comprehensive income				
<i>Items that will not be reclassified to net result in subsequent periods</i>				
Net increase/(decrease) in asset revaluation surplus	13	-	2,342,334	1,719,643
Total other comprehensive income		-	2,342,334	1,719,643
Total comprehensive income		7,675,774	6,923,810	7,824,084

The accompanying Notes form part of these financial statements.

Sydney Metro

Statement of Financial Position

as at 30 June 2023

	Notes	Budget 2023 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	7	675,277	547,878	1,534,174
Receivables	8	279,146	632,735	642,556
Financial assets at fair value	10	-	9,502	-
Non-current assets held for sale	12	13,693	58,358	2,773
Other financial assets	11	6,146	9,429	6,730
Total current assets		974,262	1,257,902	2,186,233
Non-current assets				
Receivables	8	1,033,022	997,297	1,058,435
Financial assets at fair value	10	-	43,991	43,161
Property plant and equipment				
Land and buildings	13	470,661	1,502,422	1,728,948
Plant and equipment	13	757,472	1,767,469	807,445
Infrastructure systems	13	35,056,353	31,253,625	23,744,525
Total property, plant and equipment	13	36,284,486	34,523,516	26,280,918
Right-of-use-assets	14	20,146	41,396	41,340
Intangible assets	15	11,114	8,220	11,992
Total non-current assets		37,348,768	35,614,420	27,435,846
Total assets		38,323,030	36,872,322	29,622,079
LIABILITIES				
Current liabilities				
Payables	17	534,856	555,375	1,012,568
Borrowings	18	648,081	656,116	90,020
Provisions	19	847	228,607	221,521
Other liabilities	20	7,180	660	-
Total current liabilities		1,190,964	1,440,758	1,324,109
Non-current liabilities				
Contract liabilities	9	20,000	20,000	20,000
Borrowings	18	1,384,245	2,014,071	1,785,308
Provisions	19	26,976	21,921	41,248
Other liabilities	20	2,871	17,089	2,773
Total non-current liabilities		1,434,092	2,073,081	1,849,329
Total liabilities		2,625,056	3,513,839	3,173,438
Net assets		35,697,974	33,358,483	26,448,641
EQUITY				
Accumulated funds		33,388,642	27,704,990	23,116,021
Reserves		2,309,332	5,653,493	3,332,620
Total equity		35,697,974	33,358,483	26,448,641

The accompanying Notes form part of these financial statements.

Sydney Metro

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	Accumulated funds \$ '000	Asset revaluation surplus \$ '000	Hedge reserve \$ '000	Total equity \$ '000
Balance at 1 July 2022		23,116,021	3,321,557	11,063	26,448,641
Net result for the year		4,581,476	-	-	4,581,476
Other comprehensive income					
Net increase/(decrease) in asset revaluation surplus	13(a)	-	2,342,334	-	2,342,334
Total other comprehensive income		-	2,342,334	-	2,342,334
Total comprehensive income for the year		4,581,476	2,342,334	-	6,923,810
Hedging gains and losses and costs of hedging transferred to property, plant and equipment during the year		-	-	(11,063)	(11,063)
Transactions with owners in their capacity as owners					
Transfers to/from reserves to accumulated funds		10,398	(10,398)	-	-
Decrease in net assets from equity transfers		(2,905)	-	-	(2,905)
Balance at 30 June 2023		27,704,990	5,653,493	-	33,358,483
Balance at 1 July 2021		17,011,580	1,601,914	11,063	18,624,557
Net result for the year		6,104,441	-	-	6,104,441
Other comprehensive income					
Net increase/(decrease) in asset revaluation surplus	13(a)	-	1,719,643	-	1,719,643
Total other comprehensive income		-	1,719,643	-	1,719,643
Total comprehensive income for the year		6,104,441	1,719,643	-	7,824,084
Transactions with owners in their capacity as owners					
Transfers to/from reserves to accumulated funds		-	-	-	-
Balance at 30 June 2022		23,116,021	3,321,557	11,063	26,448,641

The accompanying Notes form part of these financial statements.

Sydney Metro

Statement of Cash Flows

for the year ended 30 June 2023

	Notes	Budget 2023 \$'000	Actual 2023 \$'000	Actual 2022 \$'000
Cash flows from operating activities				
Payments				
Personnel services		(28,637)	(42,302)	(29,906)
Finance costs		(22,331)	(15,124)	(34,245)
Service contract payments		-	(109,312)	(107,936)
Payments to suppliers		-	(517,682)	(532,841)
Other		(427,770)	(669,932)	(533,370)
Total payments		(478,738)	(1,354,352)	(1,238,298)
Receipts				
Sale of goods and services		131,338	511,834	250,233
Interest received		-	2,316	218
Grants and contributions		8,389,335	6,250,000	7,563,156
Other		81	613,591	495,282
Total receipts		8,520,754	7,377,741	8,308,889
Net cash flows from operating activities	21	8,042,016	6,023,389	7,070,591
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		66,000	52,720	190,698
Purchases of property, plant and equipment and intangible assets		(8,057,758)	(6,973,746)	(6,468,864)
Proceeds from sale of financial assets		-	-	2
Other		-	3,455	6,420
Net cash flows from investing activities		(7,991,758)	(6,917,571)	(6,271,744)
Cash flows from financing activities				
Repayment of borrowings and advances		(133,491)	(82,680)	(802,076)
Payment of principal portion of lease liabilities		-	(9,434)	(14,142)
Net cash flows from financing activities		(133,491)	(92,114)	(816,218)
Net increase/(decrease) in cash		(83,233)	(986,296)	(17,371)
Opening cash and cash equivalents		758,510	1,534,174	1,551,545
Closing cash and cash equivalents	7	675,277	547,878	1,534,174

The accompanying Notes form part of these financial statements.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

1. Summary of significant accounting policies

(a) Sydney Metro - Reporting Entity

Sydney Metro (the Entity) is a statutory corporation established on 1 July 2018 under the *Transport Administration Act 1988*. The Entity is a statutory authority for the purposes of the *Government Sector Finance Act 2018 (GSF Act)*. It is domiciled in Australia and its principal office is at 680 George Street Sydney, NSW 2000.

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

- a) deliver safe and reliable metro passenger services in an efficient, effective and financially responsible manner; and
- b) 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.

The Entity is a controlled entity of Transport for NSW. Transport for NSW is a controlled entity of the Department of Transport which is controlled by the State of New South Wales (ultimate parent).

These financial statements for the year ended 30 June 2023 have been authorised for issue by the Board on the date the accompanying Statement by the Accountable Authority was signed.

(b) Basis of preparation

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

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

Property, plant and equipment and certain financial assets and liabilities are measured using the fair value basis. Assets held for sale are measured at the lower of carrying amount and 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.

The financial statements have been prepared on a going concern basis. The Entity is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. This is supported by the Entity continuing to receive grants from Transport for NSW which in turn receives grants from the Department of Transport. The Department of Transport receives appropriations from the Consolidated Fund through the Annual Appropriations Act. Therefore, there is no risk for the Entity to continue to operate as a going concern after 30 June 2023.

(c) Critical accounting estimates, judgement and assumptions

In the application of AAS 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 have made are disclosed in the relevant notes to the financial statements.

The Board's approval of these financial statements constitutes its endorsement of the judgements referred to above.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

1. Summary of significant accounting policies (continued)

(d) Statement of compliance

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

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

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

- the amount of GST incurred by the Entity as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; 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 are recoverable from, or payable to, the ATO 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

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

(h) Changes in accounting policies, including new or revised AAS

(i) Effective for the first time in 2022-23

The accounting policies applied in 2022-23 are consistent with those of the previous financial year except as a result of the following new or revised AAS that have been applied for the first time in 2022-23. The application of these standards did not have a material impact to the Entity.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

1. Summary of significant accounting policies (continued)

(h) Changes in accounting policies, including new or revised AAS (continued)

(i) Effective for the first time in 2022-23 (continued)

Standard	Applicable to annual reporting periods beginning on or after
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments	1 January 2022
AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2022
AASB 2021-7a Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022
AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15	1 July 2022

(ii) Issued but not yet effective

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

The following new AAS have not been applied and are not yet effective	Applicable to annual reporting periods beginning on or after
AASB 17 Insurance Contracts	1 January 2023
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2024
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	1 January 2023
AASB 2022-1 Amendments to the Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 Comparative Information	1 January 2023
AASB 2021-7b Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2023
AASB 2021-7c Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2025
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024
AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

1. Summary of significant accounting policies (continued)

(h) Changes in accounting policies, including new or revised AAS (continued)

(ii) Issued but not yet effective (continued)

The following new AAS have not been applied and are not yet effective	Applicable to annual reporting periods beginning on or after
AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standard	1 January 2023
AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments	1 January 2023
AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector	1 July 2026
AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities	1 January 2024

The impact of these standards in the period of initial application has been assessed to have no material impact on the financial statements of the Entity.

(i) Impact of COVID-19 on Financial Reporting for 2022-23

The COVID-19 pandemic continued to influence and impact the Entity's financial performance during 2022-23 financial year despite the lifting of restrictions and significant ease of government policy.

The Entity continued to monitor, review and take action to mitigate COVID-19 risks; and has implemented a number of initiatives in response to the pandemic. These initiatives include measures to protect the safety and wellbeing of the Entity's customers, employees and contractors.

In summary the impact on the Entity's financial performance during the 2022-23 financial year was as follows:

- The Entity continued to experience some productivity and associated commercial impacts on major construction projects during the first half of the 2022-23 financial year including impacts to major contractors, local and international supply chains and work practices. The impacts resulted in delays and cost claims from contractors of approximately \$6.8 million (2021-22: \$165.4 million). In accordance with Treasury guidance, these costs were deemed to not be directly attributable to bringing Sydney Metro's infrastructure assets to their intended use and as such were expensed.
- Patronage on the Metro Northwest line has not fully recovered to pre-pandemic levels because of continued changes to people's day-to-day activities with hybrid and remote working arrangements, online learning adopted by educational institutions and increased preference for online shopping.
- The Entity continued to maintain a COVID-19 Management Plan to guide actions which manage COVID-19 related risks to the health and safety of its employees and customers. This resulted in continued increased costs from cleaning and disinfection works performed on Sydney Metro trains, stations, and offices.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

1. Summary of significant accounting policies (continued)

(j) Superannuation on annual leave loading

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

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

2. Expenses excluding losses

(a) Personnel service expenses

	2023 \$'000	2022 \$'000
Salaries and wages (including annual leave)	35,177	26,738
Superannuation - defined benefit plans	117	95
Superannuation - defined contribution plans	3,919	2,556
Long service leave	4,060	2,938
Workers' compensation insurance	229	162
Payroll tax and fringe benefits tax	2,435	1,452
Redundancy payments	769	-
Personnel service expenses	46,706	33,941

In addition to the above, \$204.9 million (2022: \$151.2 million) has been capitalised in property, plant and equipment.

Recognition and measurement

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 personnel service expenses.

Maintenance

There are no maintenance costs included in personnel related expenses.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

2. Expenses excluding losses (continued)

(b) Operating expenses

	2023	2022
	\$'000	\$'000
Auditor's remuneration - audit of financial statements	275	258
Advertising and marketing	184	16
Telecommunications	89	2
Electricity, gas and water	14,218	12,120
Fleet hire and leasing charges including access fees	22	11
General expenses	14,910	5,418
Information technology	1,827	727
Insurance	399	244
Legal services	7,171	809
Office expenses	395	232
Other contractors and consultants ²	98,345	205,409
Property rent and other related expenses ¹	10,400	5,495
Travel expenses	39	(4)
Share service charges	4,414	3,053
Operating expenses	152,688	233,790

¹ Property rent and other related expenses in 2023 and 2022 includes expenses relating to short term and low value leases excluding motor vehicle leases. Refer Note 14 for details.

² Other contractors and consultants' expenses in 2023 includes \$6.8 million (2022: \$165.4 million) in COVID-19 related expenses incurred for construction projects that are not directly attributable to bringing the metro infrastructure assets to their intended use.

Recognition and measurement

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the Entity. This also includes COVID-19 related expenses incurred for construction projects that are not directly attributable to bringing the metro infrastructure assets to its intended use. These costs are recognised as expenses when incurred.

Insurance

The Entity arranges insurance cover through the NSW Treasury Managed Fund Scheme; apart from construction project cover, which is arranged through a private insurance provider, and insurance for the Northwest operation, which is arranged separately and paid for by the Entity.

Lease expenses

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

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

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

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

2. Expenses excluding losses (continued)

(c) Major rail project expenses

	Notes	2023 \$'000	2022 \$'000
Other contractors	3(d)	212,319	391,145
Major rail project expenses		212,319	391,145

Gross amount due from/(to) Transport Asset Holding Entity (TAHE) and billing to date are as follows:

	2023 \$'000	2022 \$'000
Costs incurred	212,319	391,145
Billings to date	(212,319)	(391,145)
Gross amount due from TAHE	-	-

Recognition and measurement

The Entity manages the design and construction of certain major rail projects on behalf of TAHE. Under this arrangement, TAHE reimburses Sydney Metro for construction costs incurred. The arrangement is considered to be in the nature of construction contracts and is recognised in accordance with *AASB 15 Revenue from Contracts with Customers*. These expenses are recovered through major rail project revenue.

(d) Depreciation and amortisation expense

	Notes	2023 \$'000	2022 \$'000
Infrastructure systems			
Rail systems		195,696	199,424
Buildings			
Buildings		1,895	2,223
Plant and equipment			
Rolling stock		31,591	20,760
Plant and equipment		3,875	3,745
Right-of-use assets		14	1,434
Depreciation	13,14	233,071	227,586

Refer Notes 13 and 14 for recognition and measurement policies on depreciation and amortisation.

Reconciliation to Note 14 - Depreciation of right-of-use assets

	2023 \$'000	2022 \$'000
Depreciation of operational and property assets	7,744	12,064
Right-of-use depreciation capitalised to infrastructure	(7,730)	(10,630)
	14	1,434

Depreciation of right-of-use assets is capitalised to infrastructure assets to the extent the leases are directly attributable costs of the infrastructure asset.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

2. Expenses excluding losses (continued)

(e) Finance costs

	2023 \$'000	2022 \$'000
Unwinding of discount on liabilities/receivables ¹	362	34,245
Interest expense – lease liabilities	1,225	812
Interest expense from financial liabilities at amortised cost ²	89,300	42,856
Finance costs	90,887	77,913

¹ The unwinding of the discount of the present value of non-current receivables (Note 8), provisions (Note 19) and non-current other liabilities (Note 20) has resulted in an interest expense of \$0.4 million in 2023 (2022: \$34.2 million).

² Interest expense from financial liabilities at amortised cost represents interest on the Service Concession Financial Liability.

Recognition and measurement

Finance costs comprise mainly of interest charges associated with the service concession financial liabilities and unwinding of discount of non-current receivables and non-current liabilities recorded at present value. In accordance with Treasury's mandate for 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.

(f) Other expenses

	2023 \$'000	2022 \$'000
Bus replacement services	18,376	11,126
Metro service contract payments	90,936	96,810
Other expenses	109,312	107,936

Recognition and measurement

Bus replacement services represents payments to bus operators for the provision of bus services as an alternative public transportation in areas affected by the metro project works. While metro service contract payments relate to service fees paid to metro private operator. These payments are made at the end of the month for services provided in that month and are expensed as incurred.

(g) Grants and subsidies

	2023 \$'000	2022 \$'000
Grants to external parties	128,243	84,207
Grants and subsidies	128,243	84,207

As part of project delivery, the Entity is required to undertake works to build assets and make cash contributions to third parties such as councils, utility providers and other Government agencies.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

2. Expenses excluding losses (continued)

(g) Grants and subsidies (continued)

Recognition and measurement

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 from contracts with customers

	2023	2022
	\$'000	\$'000
Recoupment of project costs	7,766	3,447
Other	80	45
Sale of goods and services	7,846	3,492

Recognition and measurement

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* (AASB 15) or AASB 1058 *Income of Non-for-Profit Entities* (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15.

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 the Entity and the income can be reliably measured. Comments regarding the accounting policies for the recognition of income are provided below.

Rendering of services

Revenue from the provision of services is recognised when the Entity satisfies the performance obligation by transferring the promised services. These services include passenger transport services and recoupable project delivery services for other agencies. The Entity typically satisfies its performance obligations when the promised service has been provided.

Recoupable project revenue is recognised over time as the services are provided, and the stage of completion for determining the amount of revenue to recognise is assessed based on the work performed and therefore entitles the Entity to raise an invoice. The related costs are recognised in profit or loss when they are incurred.

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

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

3. Revenue (continued)

(b) Investment revenue

	2023 \$'000	2022 \$'000
Rental Income	10,127	4,519
Interest income	3,484	246
Investment revenue	13,611	4,765

Recognition and measurement

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 from operating lease is recognised in accordance with AASB 16 *Leases* on a straight-line basis over the lease term.

(c) Grants and other contributions

	2023 \$'000	2022 \$'000
Grants from Transport for NSW	6,250,000	7,563,156
Contributions from other government agencies	12,469	54,783
Grants and other contributions	6,262,469	7,617,939

The Entity receives its grant funding from Transport for NSW which in turn receives funding from the Department of Transport. The Department of Transport receives appropriations from the Consolidated Fund. Grant funding for each financial year is set out in the Budget Paper for that year.

Recognition and measurement

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

Revenue from grants with sufficiently specific performance obligations is recognised as when the Entity satisfies a performance obligation by transferring the promised goods or services. The Entity typically satisfies its performance obligations when the corresponding costs are incurred. The payments are typically due when the performance obligation is satisfied or in accordance with the funding agreement.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Refer Note 9 for transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

3. Revenue (continued)

(c) Grants and other contributions (continued)

Recognition and measurement (continued)

Income from grants without sufficiently specific performance obligations is recognised when the Entity obtains control over the granted assets (e.g., cash).

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined, and the services would have been purchased if not donated. Volunteer services are measured at fair value. Sydney Metro did not recognise any volunteer services during the year.

(d) Major rail project revenue

	Notes	2023 \$'000	2022 \$'000
Major rail project revenue	2(c)	212,319	391,145
Major rail project revenue		212,319	391,145

Recognition and measurement

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

(e) Resources received free of charge

Resources received free of charge represents acceptance by The Crown in right of the State of New South Wales (Crown) of personnel services benefits and other liabilities.

	2023 \$'000	2022 \$'000
Personnel services - long service leave	4,059	2,188
Personnel services - superannuation - defined benefit	118	112
Personnel services - payroll tax	5	4
Resources received free of charge	4,182	2,304

(f) Other income

	2023 \$'000	2022 \$'000
Other income	3,082	2
Other income	3,082	2

Other income includes redundancy costs funded by NSW Treasury via Transport for NSW for the Entity, cost reimbursement from external parties and insurer.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

4. Gain on disposal

	2023	2022
	\$'000	\$'000
Proceeds from asset sale	142,444	163,931
Net carrying amount of property, plant and equipment disposed	(92,772)	(68,035)
Gain on disposal	49,672	95,896

In 2023, the Entity entered into Over-Station Development agreements with external parties for the construction of the over-station development. The transaction involves the transfer of development rights from the Entity to the external parties that are treated as asset sales for accounting purposes. The majority of sales proceeds are expected to be received by the Entity in the future and are recorded at present value and/or fair value as other receivables (refer Note 8). The gain/loss on disposal recorded in 2022 was mainly related to the sale of land around Metro Northwest stations being developed with Landcom.

5. Other gains/(losses)

	2023	2022
	\$'000	\$'000
Property, plant and equipment revaluation decrement ¹	(1,014,746)	(898,611)
Gain/(loss) arising from lease modification	-	66
Gains/(losses) on financial liability at amortised cost	2,475	(7,793)
Derivative gains/(losses)	13,792	49,584
Derecognition of right-of-use assets and lease liabilities with TfNSW ²	-	2,170
Other gains/(losses)	(998,479)	(854,584)

¹ Revaluation decrement recognised as a loss is in relation to properties acquired and used for the metro infrastructure projects that are currently in progress and sufficient credit balance does not exist in the asset revaluation surplus in respect of the same class of assets. The fair value of these properties are significantly reduced to reflect their current restricted use for metro infrastructure projects as there are no feasible alternative uses available. Please refer to Note 13 for further details.

² The net gains(losses) are recognised from the derecognition of the right-of-use asset and lease liability with Transport for NSW (TfNSW) as at 30 June 2022. Please refer to Note 14 for further details on the derecognition.

The net gain/(loss) from the derecognition of right-of-use asset and lease liability as at 30 June 2022 is reconciled as below:

	2022
	\$'000
Right of use assets	
Gross carrying value	15,143
Less: accumulated depreciation and accumulated impairment provision	(9,160)
Net book value	5,983
Amortised balance of incentives received	-
Lease liabilities	8,153
Net gain/(loss)	2,170

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

5. Other gains/(losses) (continued)

Recognition and measurement

Derivative gains/(losses)

Refer to the recognition and measurement in Note 10 for derivatives financial instruments.

Impairment losses

Impairment losses may arise on assets held by the Entity 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 Notes 13,14 and 15.

Gains/(losses) on financial liability at amortised cost

The gains/(losses) on financial liability at amortised cost are related to the remeasurement of the Metro Northwest and City and Southwest service concession financial liabilities due to changes in the estimated cash flows. Refer to Note 18 for further details on the measurement of the service concession financial liability.

6. State outcome group statements

The NSW Government has developed a set of State Outcomes which articulate the primary purpose for which public resources are being spent, and the goals that Government is seeking to achieve for its citizens and businesses across all of its activities.

The Entity's program groups are mapped to the following State Outcomes:

For customers: Connecting our customer's whole lives

The Entity will deliver and enable Metro as a mode of transport that blends seamlessly into its customers' lifestyles, catering for the diverse range of citizens. The State Outcome focuses on:

- Safe, seamless journeys for people
- New mobility options and experiences

For the people of NSW: Transport systems and solutions that enable economic activity

Through the delivery of Metro infrastructure projects focused on increasing capacity and sustainability of Greater Sydney's network, the Entity is critical in driving economic growth and improving the quality of life for the people of NSW. The State Outcome focuses on:

- Quality assets and efficient networks maintained at the right price
- Transport investment and solutions that service the people of NSW

For communities: Successful places for communities

The Entity helps create places that integrate the right mix of infrastructure, services, access and experiences for communities, supporting them to achieve their desired social, cultural and economic outcomes. The State Outcome focuses on:

- Places that reflect the communities' people and culture
- Protecting and enhancing communities and their environment

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

6. State outcome group statements (continued)

ENTITY'S EXPENSES & INCOME	Connecting our customers' whole lives		Transport systems and solutions that enable economic activity		Successful places for communities		Not Attributable		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Expenses excluding losses										
Personnel service expenses	46,706	33,941	-	-	-	-	-	-	46,706	33,941
Operating expenses	65,468	88,114	58,580	97,842	28,640	47,834	-	-	152,688	233,790
Major rail project expenses	70,065	129,078	95,544	176,015	46,710	86,052	-	-	212,319	391,145
Depreciation and amortisation	233,071	227,586	-	-	-	-	-	-	233,071	227,586
Grants and subsidies	-	-	128,243	84,207	-	-	-	-	128,243	84,207
Finance costs	90,887	77,913	-	-	-	-	-	-	90,887	77,913
Other expenses	97,000	35,619	8,269	48,571	4,043	23,746	-	-	109,312	107,936
Total expenses excluding losses	603,197	592,251	290,636	406,635	79,393	157,632	-	-	973,226	1,156,518
Revenue										
Sale of goods and services	2,625	1,158	3,506	1,567	1,715	767	-	-	7,846	3,492
Investment revenue	13,611	4,765	-	-	-	-	-	-	13,611	4,765
Grants and contributions ¹	-	-	12,469	54,783	-	-	6,250,000	-	7,563,156	6,262,469
Major rail project revenue	70,065	129,078	95,544	176,015	46,710	86,052	-	-	212,319	391,145
Resources received free of charge	4,182	2,304	-	-	-	-	-	-	4,182	2,304
Other income	1,138	1	1,306	1	638	-	-	-	3,082	2
Total revenue	91,621	137,306	112,825	232,366	49,063	86,819	6,250,000	7,563,156	6,503,509	8,019,647
Gain/(loss) on disposal	47,006	54,097	(28,672)	5,734	31,338	36,065	-	-	49,672	95,896
Other gains/(losses)	(1,001,939)	(853,077)	3,460	1,407	-	(2,914)	-	-	(998,479)	(854,584)
Net result	(1,466,509)	(1,253,925)	(203,023)	(167,128)	1,008	(37,662)	6,250,000	7,563,156	4,581,476	6,104,441
Other comprehensive income										
<i>Items that will not be reclassified to net result in subsequent periods</i>										
Net increase/(decrease) in asset revaluation surplus	2,342,334	1,719,643	-	-	-	-	-	-	2,342,334	1,719,643
Total other comprehensive income	2,342,334	1,719,643	-	-	-	-	-	-	2,342,334	1,719,643
Total comprehensive income	875,825	465,718	(203,023)	(167,128)	1,008	(37,662)	6,250,000	7,563,156	6,923,810	7,824,084

¹Most grants and contributions are made on an entity basis and not to individual outcome groups. Consequently, these grants and contributions are included in the 'Not Attributable' column.'

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Notes to the financial statements
for the year ended 30 June 2023

6. State outcome group statements (continued)

ASSETS	Connecting our customers' whole lives		Transport systems and solutions that enable economic activity				Successful places for communities				Not Attributable		Total
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	
Current assets													
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	547,878	1,534,174	1,534,174
Receivables	71,520	177,496	412,117	241,812	47,080	118,219	102,018	105,029	-	-	632,735	642,556	642,556
Financial assets at fair value	-	-	9,502	-	-	-	-	-	-	-	9,502	-	-
Non-current assets held for sale	-	-	58,358	2,773	-	-	-	-	-	-	58,358	2,773	2,773
Other financial assets	3,112	2,221	4,243	3,029	2,074	1,480	-	-	-	-	9,429	6,730	6,730
Total current assets	74,632	179,717	484,220	247,614	49,154	119,699	649,896	1,639,203	1,257,902	2,186,233			
Non-current assets													
Receivables	78,666	24,229	866,187	1,018,053	52,444	16,153	-	-	-	-	997,297	1,058,435	1,058,435
Financial assets at fair value	-	-	43,991	43,161	-	-	-	-	-	-	43,991	43,161	43,161
Property plant and equipment													
Land and buildings	1,502,422	1,728,948	-	-	-	-	-	-	-	-	1,502,422	1,728,948	1,728,948
Plant and equipment	1,767,469	807,445	-	-	-	-	-	-	-	-	1,767,469	807,445	807,445
Infrastructure systems	17,184,053	14,141,110	9,449,712	6,450,055	4,619,860	3,153,360	-	-	-	-	31,253,625	23,744,525	23,744,525
Property, plant and equipment	20,453,944	16,677,503	9,449,712	6,450,055	4,619,860	3,153,360	-	-	-	-	34,523,516	26,280,918	26,280,918
Right-of-use assets	(22)	41,340	27,818	-	13,600	-	-	-	-	-	41,396	41,340	41,340
Intangible Assets	8,220	11,992	-	-	-	-	-	-	-	-	8,220	11,992	11,992
Total non-current assets	20,540,808	16,755,064	10,387,708	7,511,269	4,685,904	3,169,513	4,735,058	1,639,203	3,289,212	3,169,513	35,614,420	27,435,846	27,435,846
Total assets	20,615,440	16,934,781	10,871,928	7,758,883	4,735,058	3,289,212	649,896	1,639,203	3,289,212	3,289,212	36,872,322	29,622,079	29,622,079

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Notes to the financial statements

for the year ended 30 June 2023

6. State outcome group statements (continued)

LIABILITIES	Connecting our customers' whole lives		Transport systems and solutions that enable economic activity		Successful places for communities		Not Attributable		Total	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current liabilities										
Payables	187,434	338,669	247,123	452,619	120,818	221,280	-	-	555,375	1,012,568
Borrowings	216,519	29,707	295,252	40,509	144,345	19,804	-	-	656,116	90,020
Provisions	39,373	17,709	162,985	192,006	26,249	11,806	-	-	228,607	221,521
Other liabilities	216	-	300	-	144	-	-	-	660	-
Total current liabilities	443,542	386,085	705,660	685,134	291,556	252,890	-	-	1,440,758	1,324,109
Non-current liabilities										
Borrowings	664,645	589,152	906,330	803,389	443,096	392,767	-	-	2,014,071	1,785,308
Provisions	2,920	13,612	17,054	18,562	1,947	9,074	-	-	21,921	41,248
Contract liabilities	-	-	-	-	-	-	20,000	20,000	20,000	20,000
Other liabilities	-	-	17,089	2,773	-	-	-	-	17,089	2,773
Total non-current liabilities	667,565	602,764	940,473	824,724	445,043	401,841	20,000	20,000	2,073,081	1,849,329
Total liabilities	1,111,107	988,849	1,646,133	1,509,858	736,599	654,731	20,000	20,000	3,513,839	3,173,438
Net assets	19,504,332	15,945,932	9,225,795	6,249,025	3,998,460	2,634,481	629,896	1,619,203	33,358,483	26,448,641

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

7. Cash and cash equivalents

	2023	2022
	\$'000	\$'000
Cash at bank and on hand	547,878	1,534,174
Cash and cash equivalents	547,878	1,534,174

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and cash on hand.

Of the total cash and cash equivalents, \$61.5 million is restricted for contingency fund as part of a project deed.

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

	2023	2022
	\$'000	\$'000
Cash and cash equivalents (per Statement of financial position)	547,878	1,534,174
Cash and cash equivalents (per Statement of cash flows)	547,878	1,534,174

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

8. Receivables

	2023	2022
	\$'000	\$'000
Current receivables		
Trade receivables from contracts with customers	72,107	295,850
Goods and Services Tax recoverable	102,018	105,029
Prepayments	118,604	218,672
Other receivables ¹	339,104	22,837
Investment income receivable	902	168
Current receivables	632,735	642,556
Non-current receivables		
Other receivables ¹	758,913	985,014
Prepayments	238,384	73,421
Non-current Receivables	997,297	1,058,435

¹ Other receivables include proceeds receivable from external parties under the Integrated Station Development arrangements of \$1,074.6 million (2022: \$984.9 million). These receivables are recorded at present value of future cash flows.

The Entity did not recognise Expected Credit Losses at 30 June 2023 (2022: Nil).

Details regarding credit risk, liquidity risk and market risk, including financial assets that are neither past due or impaired, are disclosed in Note 26.

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Notes to the financial statements

for the year ended 30 June 2023

8. Receivables (continued)

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

Receivables held by the Entity 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.

Receivables held by the Entity 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.

Impairment

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

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

9. Contract liabilities

	2023	2022
	\$'000	\$'000
Contract liabilities - non current	20,000	20,000
Non-Current contract liabilities	20,000	20,000
Total contract liabilities	20,000	20,000

Recognition and measurement

Contract liabilities relate to funding received in advance from Infrastructure NSW in respect of the design and construction of affordable housing within the Waterloo Metro Quarter Development. The balance of contract liabilities at 30 June 2023 relates to grant funding received but not yet spent.

	2023	2022
	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	-
Revenue recognised from performance obligations satisfied in previous periods	-	-
Transaction price allocated to the remaining performance obligations from contracts with customers	20,000	20,000

The transaction price allocated to the remaining performance obligation relates to grants and contributions which is expected to be recognised as revenue through to 2025 and 2026.

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Notes to the financial statements

for the year ended 30 June 2023

10. Financial assets at fair value

	2023 \$'000	2022 \$'000
Financial assets held for trading		
Interest rate swap derivative	9,502	-
Current financial assets at fair value	9,502	-
Interest rate swap derivative	24,738	40,929
Energy derivative	19,253	2,232
Non-current financial assets at fair value	43,991	43,161

Recognition and measurement

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

- Whether the entity has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

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.

Classification and measurement

The Entity's financial assets are classified at fair value at initial recognition and subsequently measured at fair value through profit or loss.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

i. Financial assets at fair value through profit or loss

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

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

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).

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Notes to the financial statements

for the year ended 30 June 2023

10. Financial Assets at fair value (continued)

Recognition and measurement (continued)

ii. Derivative financial instruments

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

Specific accounting treatment is required for derivatives designated as hedging instruments. 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. 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.

Interest rate swap derivative

The Entity holds interest rate swap derivatives to manage its interest rate risk exposure arising from public-private partnership payment commitments, which are not designated in an accounting hedge relationship. The derivatives are categorised as held for trading and presented in the Statement of Financial Position.

Energy derivative

The Entity is exposed to electricity price risk associated with the purchase of electricity 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. The Entity has in place an electricity derivative financial instrument and is not designated in a hedge relationship under *AASB 9 Financial Instruments*. This derivative is classified as held for trading and presented in the Statement of Financial Position.

Refer to Note 26 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

11. Other financial assets

	2023 \$'000	2022 \$'000
Energy Certificate - at cost	9,429	6,730
Current other financial assets	9,429	6,730

Recognition and measurement

Large-scale generation certificates (LGC) used solely to satisfy the Entity's retail sales commitments and surrender obligations are measured at cost. Refer to Note 26 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

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Notes to the financial statements

for the year ended 30 June 2023

12. Non-current assets held for sale

	2023	2022
	\$'000	\$'000
Non-current assets held for sale		
Land and buildings held for sale	58,358	2,773
Non-current assets held for sale	58,358	2,773

Recognition and measurement

The Entity 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 measured at the lower of their carrying amount or fair value less costs to sell. These assets are not depreciated while they are classified as held-for-sale.

Non-current assets held for sale include:

- parcels of land around Metro Northwest stations being developed with Landcom where efforts to sell the properties have started; and
- a parcel of non-operational land not part of the Landcom development agreement, was reclassified from property, plant and equipment to assets held for sale in this financial year as the sale is now highly probable and the Entity expects the sale to be settled within the next reporting period.

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Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment

(a) Total property, plant and equipment

The Entity's asset classes are:

- land and buildings;
- infrastructure systems;
- plant and equipment; and
- rolling stock.

Property plant and equipment reconciliation

	Land and buildings		Infrastructure systems		Plant and equipment			Total assets
	Land and buildings \$ '000	Assets under construction ¹ \$ '000	Rail systems \$ '000	Assets under construction ¹ \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Total \$ '000	property, plant and equipment \$ '000
At 1 July 2022								
At fair value - gross carrying amount	1,168,389	561,811	10,200,594	14,333,454	33,025	863,889	896,914	27,161,162
Accumulated depreciation and impairment	(1,252)	-	(789,523)	-	(11,550)	(77,919)	(89,469)	(880,244)
Net carrying amount	1,167,137	561,811	9,411,071	14,333,454	21,475	785,970	807,445	26,280,918
At 30 June 2023								
At fair value - gross carrying amount	1,045,590	459,480	11,161,952	20,999,362	33,331	1,863,863	1,897,194	35,563,579
Accumulated depreciation and impairment	(2,648)	-	(907,690)	-	(15,653)	(114,072)	(129,725)	(1,040,063)
Net carrying amount	1,042,942	459,480	10,254,263	20,999,362	17,678	1,749,791	1,767,469	34,523,516
At 1 July 2021								
At fair value - gross carrying amount	330,214	1,100,373	8,802,627	9,187,979	25,502	687,009	712,511	20,133,704
Accumulated depreciation and impairment	(2,099)	-	(457,139)	-	(7,196)	(42,323)	(49,519)	(508,757)
Net carrying amount	328,115	1,100,373	8,345,488	9,187,979	18,306	644,686	662,992	19,624,947
At 30 June 2022								
At fair value - gross carrying amount	1,168,389	561,811	10,200,594	14,333,454	33,025	863,889	896,914	27,161,162
Accumulated depreciation and impairment	(1,252)	-	(789,523)	-	(11,550)	(77,919)	(89,469)	(880,244)
Net carrying amount	1,167,137	561,811	9,411,071	14,333,454	21,475	785,970	807,445	26,280,918

¹ Assets under construction is considered to be a subclass of the related asset class.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

(a) Total property, plant and equipment (continued)

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:

	Land and Buildings		Infrastructure systems		Plant and equipment		Total assets	
	Land and buildings \$ '000	Assets under construction ¹ \$ '000	Rail systems \$ '000	Assets under construction ¹ \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Total \$ '000	Total property, plant and equipment \$ '000
Opening balance at 1 July 2022	1,167,137	561,811	9,411,071	14,333,454	21,475	785,970	807,445	26,280,918
Additions	934	935,223	-	6,485,339	-	-	-	7,421,496
Disposals / write off	4	(90,000)	-	-	-	-	-	(90,000)
Reclassification between PPE classes	26	-	185,023	(897,479)	2,903	709,527	712,430	-
Reclassification (to)/from intangible assets	-	-	-	3,049	736	-	736	3,785
Transfer to assets held for sale	(58,358)	-	-	-	-	-	-	(58,358)
Transfers (to)/from external entities	-	2,290	(128,243)	-	-	-	-	(125,953)
Transfer to other transport entities via equity	-	-	-	-	(2,903)	-	(2,903)	(2,903)
Depreciation	2(d)	(1,895)	(195,696)	-	(3,875)	(31,591)	(35,466)	(233,057)
Revaluation decrement recorded in net result	5	(64,902)	-	-	-	-	-	(1,014,746)
Net revaluation increment less revaluation decrement	-	-	982,108	1,074,999	(658)	285,885	285,227	2,342,334
Net carrying amount at 30 June 2023	1,042,942	459,480	10,254,263	20,999,362	17,678	1,749,791	1,767,469	34,523,516

¹ Assets under construction is considered to be a subclass of the related asset class.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

(a) Total property, plant and equipment (continued)

The net carrying amount of service concession assets included in property, plant and equipment is \$14.5 billion as at 30 June 2023 (30 June 2022: \$11.8 billion). Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 16.

Reconciliation (continued)

	Land and buildings		Infrastructure systems		Plant and equipment			Total property, plant and equipment
	Land and buildings	Assets under construction ¹	Rail systems	Assets under construction ¹	Plant and equipment	Rolling stock	Total	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance at 1 July	328,115	1,100,373	8,345,488	9,187,979	18,306	644,686	662,992	19,624,947
2021	Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Additions	-	-	-	6,147,995	-	-	-	6,147,995
Disposals / write off	4	-	-	(1,277)	-	-	-	(1,277)
Reclassification between PPE classes	-	829,915	181,568	(1,382,435)	-	-	-	-
Reclassification between intangible assets	-	-	-	(1,860)	199	-	199	(1,661)
Transfer to assets held for sale	-	-	-	(187)	-	-	-	(54,176)
Transfers (to)/from external entities	-	-	(84,206)	-	-	-	-	(29,790)
Depreciation	2(d)	(2,223)	(199,424)	-	(3,745)	(20,760)	(24,505)	(226,152)
Revaluation decrement recorded in net result	5	11,330	-	-	-	-	-	(898,611)
Net revaluation increment less revaluation decrement	-	-	1,167,645	383,239	6,715	162,044	168,759	1,719,643
Net carrying amount at 30 June 2022	1,167,137	561,811	9,411,071	14,333,454	21,475	785,970	807,445	26,280,918
			1,728,948	23,744,525				

¹ Assets under construction is considered to be a subclass of the related asset class.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

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

	Land and buildings		Infrastructure systems				Plant and equipment			Total assets	
	Land and buildings \$ '000	Assets under construction ¹ \$ '000	Total \$ '000	Rail systems \$ '000	Assets under construction ¹ \$ '000	Total \$ '000	Plant and Equipment \$ '000	Rolling stock \$ '000	Total \$ '000	Total property plant and equipment \$ '000	
At 1 July 2022											
At fair value - gross carrying amount	1,140,627	544,390	1,685,017	10,200,593	14,333,454	24,534,047	33,025	863,889	896,914	27,115,978	
Accumulated depreciation and impairment	(1,252)	-	(1,252)	(789,522)	-	(789,522)	(11,550)	(77,919)	(89,469)	(880,243)	
Net carrying amount	1,139,375	544,390	1,683,765	9,411,071	14,333,454	23,744,525	21,475	785,970	807,445	26,235,735	
At 30 June 2023											
At fair value - gross carrying amount	1,008,326	440,191	1,448,517	11,159,119	20,999,362	32,158,481	33,331	1,863,863	1,897,194	35,504,192	
Accumulated depreciation and impairment	(1,583)	-	(1,583)	(907,690)	-	(907,690)	(15,653)	(114,072)	(129,725)	(1,038,998)	
Net carrying amount	1,006,743	440,191	1,446,934	10,251,429	20,999,362	31,250,791	17,678	1,749,791	1,767,469	34,465,194	
At 1 July 2021											
At fair value - gross carrying amount	301,501	1,100,373	1,401,874	8,802,627	9,187,979	17,990,606	25,502	687,009	712,511	20,104,991	
Accumulated depreciation and impairment	(649)	-	(649)	(457,139)	-	(457,139)	(7,196)	(42,323)	(49,519)	(507,307)	
Net carrying amount	300,852	1,100,373	1,401,225	8,345,488	9,187,979	17,533,467	18,306	644,686	662,992	19,597,684	
At 30 June 2022											
At fair value - gross carrying amount	1,140,627	544,390	1,685,017	10,200,593	14,333,454	24,534,047	33,025	863,889	896,914	27,115,978	
Accumulated depreciation and impairment	(1,252)	-	(1,252)	(789,522)	-	(789,522)	(11,550)	(77,919)	(89,469)	(880,243)	
Net carrying amount	1,139,375	544,390	1,683,765	9,411,071	14,333,454	23,744,525	21,475	785,970	807,445	26,235,735	

¹ Assets under construction is considered a subclass of the related asset class.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the Entity (continued)

Reconciliation

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

	Land and buildings		Infrastructure systems		Plant and equipment		Total assets			
	Land and buildings \$ '000	Assets under construction ¹ \$ '000	Rail systems \$ '000	Assets under construction ¹ \$ '000	Plant and equipment \$ '000	Rolling Stock \$ '000	Total \$ '000	Total property, plant and equipment \$ '000		
Opening balance at 1 July 2022	1,139,375	544,390	1,683,765	9,411,071	14,333,454	23,744,525	21,475	785,970	807,445	26,235,735
Additions	934	935,223	936,157	-	6,485,339	6,485,339	-	-	-	7,421,496
Disposals/write off	4	(90,000)	(90,000)	-	-	-	-	-	-	(90,000)
Reclassification between PPE classes	26	-	26	185,023	(897,479)	(712,456)	2,903	709,527	712,430	-
Reclassifications (to)/from intangible assets	-	-	-	-	3,049	3,049	736	-	736	3,785
Transfer to assets held for sale	(58,358)	-	(58,358)	-	-	-	-	-	-	(58,358)
Transfers (to)/from to external entities	-	2,290	2,290	(128,243)	-	(128,243)	-	-	-	(125,953)
Transfer to other Transport entities via equity	-	-	-	-	-	-	(2,903)	-	(2,903)	(2,903)
Depreciation	(1,119)	-	(1,119)	(195,696)	-	(195,696)	(3,875)	(31,591)	(35,466)	(232,281)
Revaluation increment/ decrement recorded in net result	(61,061)	(951,455)	(1,012,516)	-	-	-	-	-	-	(1,012,516)
Net revaluation increments less revaluation decrements	-	-	-	982,108	1,074,999	2,057,107	(658)	285,885	285,227	2,342,334
Transfer to assets held by Entity as lessor under operating lease ²	(13,054)	(257)	(13,311)	(2,834)	-	(2,834)	-	-	-	(16,145)
Net carrying amount at 30 June 2023	1,006,743	440,191	1,446,934	10,251,429	20,999,362	31,250,791	17,678	1,749,791	1,767,469	34,465,194

¹ Assets under construction is considered to be a subclass of the related asset class.

² Upon termination of the lease, the property previously leased out under operating lease became held and used by the Entity.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the Entity (continued)

	Land and buildings		Infrastructure systems		Plant and equipment			Total assets		
	Land and buildings \$ '000	Assets under construction ¹ \$ '000	Rail systems \$ '000	Assets under construction ¹ \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Total \$ '000			
Opening balance at 1 July 2021	300,852	1,100,373	1,401,225	8,345,488	9,187,979	17,533,467	18,306	644,686	662,992	19,597,684
Additions	-	-	-	-	6,147,994	6,147,994	-	-	-	6,147,994
Disposals/write off	4	-	-	-	(1,277)	(1,277)	-	-	-	(1,277)
Reclassification between PPE classes	829,914	370,952	1,200,866	181,569	(1,382,435)	(1,200,866)	-	-	-	-
Reclassifications (to)/from intangible assets	-	-	-	-	(1,861)	(1,861)	200	-	200	(1,661)
Transfer to assets held for sale	-	(53,989)	(53,989)	-	(186)	(186)	-	-	-	(54,175)
Transfers (to)/from to external entities	-	54,416	54,416	(84,207)	-	(84,207)	-	-	-	(29,791)
Depreciation	(1,444)	-	(1,444)	(199,424)	-	(199,424)	(3,746)	(20,760)	(24,506)	(225,374)
Revaluation increment/ decrement recorded in net result	10,053	(909,941)	(899,888)	-	-	-	-	-	-	(899,888)
Net revaluation increments less revaluation decrements	-	-	-	1,167,645	383,239	1,550,884	6,715	162,044	168,759	1,719,643
Transfer to assets held by Entity as lessor under operating lease ²	-	(17,421)	(17,421)	-	-	-	-	-	-	(17,421)
Net carrying amount at 30 June 2022	1,139,375	544,390	1,683,765	9,411,071	14,333,454	23,744,525	21,475	785,970	807,445	26,235,735

¹ Assets under construction is considered to be a subclass of the related asset class.

² Upon termination of the lease, the property previously leased out under operating lease became held and used by the Entity.

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Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

(c) Property, plant and equipment where Entity is lessor under operating leases

	Land and buildings		Infrastructure systems		Plant and equipment			Total assets
	Land and buildings \$ '000	Assets under construction ¹ \$ '000	Rail systems \$ '000	Assets under construction ¹ \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Total \$ '000	
At 1 July 2022								
At fair value - Gross carrying amount	27,762	17,421	-	-	-	-	-	45,183
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-
Net carrying amount	27,762	17,421	-	-	-	-	-	45,183
At 30 June 2023								
At fair value - Gross carrying amount	37,264	19,289	2,834	-	-	-	-	59,387
Accumulated depreciation and impairment	(1,065)	-	-	-	-	-	-	(1,065)
Net carrying amount	36,199	19,289	2,834	-	-	-	-	58,322
At 1 July 2021								
At fair value - Gross carrying amount	27,762	-	-	-	-	-	-	27,762
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-
Net carrying amount	27,762	-	-	-	-	-	-	27,762
At 30 June 2022								
At fair value - Gross carrying amount	27,762	17,421	-	-	-	-	-	45,183
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-
Net carrying amount	27,762	17,421	-	-	-	-	-	45,183

¹ Assets under construction is considered to be a subclass of the related asset class.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

(c) Property, plant and equipment where Entity is lessor under operating leases (continued)

Reconciliation

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

	Land and buildings		Infrastructure systems		Plant and equipment			Total property, plant and equipment \$ '000
	Land and buildings \$ '000	Assets under construction ¹ \$ '000	Rail systems \$ '000	Assets under construction ¹ \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Total \$ '000	
Opening balance at 1 July 2022	27,762	17,421	-	-	-	-	-	45,183
Depreciation	(776)	-	-	-	-	-	-	(776)
Revaluation increment/ decrement recorded in net result	(3,841)	1,611	-	-	-	-	-	(2,230)
Transfer to held by entity as lessor under operating lease ²	13,054	257	2,834	-	-	-	-	16,145
Net carrying amount at 30 June 2023	36,199	19,289	2,834	-	-	-	-	58,322

¹ Assets under construction is considered a subclass of the related asset class.

² Upon termination of the lease, the property previously leased out under operating lease became held and used by the Entity.

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Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

(c) Property, plant and equipment where Entity is lessor under operating leases (continued)

	Land and buildings		Infrastructure systems		Plant and equipment			Total assets
	Land and buildings \$ '000	Assets under construction ¹ \$ '000	Rail systems \$ '000	Assets under construction ¹ \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Total \$ '000	
Opening balance at 1 July 2021	27,262	-	-	-	-	-	-	27,262
Depreciation	(778)	-	-	-	-	-	-	(778)
Revaluation increment/ decrement recorded in net result	1,278	-	-	-	-	-	-	1,278
Transfer to held by entity as lessor under operating lease ²	-	17,421	-	-	-	-	-	17,421
Net carrying amount at 30 June 2022	27,762	17,421	-	-	-	-	-	45,183

¹ Assets under construction is considered a subclass of the related asset class.

² Upon termination of the lease, the property previously leased out under operating lease became held and used by the Entity.

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Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

Recognition and measurement

Acquisition of property, plant and equipment

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

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

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

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non – Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction 'Valuation of Physical Non-Current Assets at Fair Value' (TD21-05). TD21-05 and TPP21-09 adopt fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

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

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Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

Recognition and measurement (continued)

(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 Note 16 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.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The entity conducts a comprehensive revaluation at least every three years for its land and buildings (except infrastructure and land under infrastructure) where the market or income approach is the most appropriate valuation technique and at least every five years for other classes of property, plant and equipment.

Revaluations are performed by independent professionally qualified valuers.

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

Asset type	Latest comprehensive revaluation date
Rail land	31 March 2022
Rail Infrastructure	31 March 2022
Rolling stock	31 March 2022
Specialised plant and equipment	31 March 2022
Land subject to Landcom Project Development Agreement	30 June 2022
Land and buildings not used for construction	30 June 2022

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. An interim revaluation assessment was completed on 31 March 2023. Refer Note 16 for details of the full revaluation.

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.

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

Revaluation increments are credited directly to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as a loss 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.

13. Property, plant and equipment (continued)

Recognition and measurement (continued)

(iv) Revaluation of property, plant and equipment (continued)

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

(v) Impairment of property, plant and equipment

As a not-for-profit reporting Entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* (AASB 136) is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances where the costs of disposal are material.

Specifically, impairment is unlikely for the Entity 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, the Entity reviews the carrying values of major assets for objective evidence of impairment. Where such an indication exists, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The reversal is recognised in other comprehensive income and is treated as a revaluation increase, except to the extent that an impairment loss on the same class of asset was previously recognised in net result, then the reversal recognised in net result.

(vi) Depreciation of property, plant and equipment

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

All material identifiable components of assets are depreciated separately over their useful lives.

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Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

Recognition and measurement (continued)

(vi) Depreciation of property, plant and equipment (continued)

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 Type	Useful lives
Infrastructure systems	15 – 100 years
Plant and equipment	4 – 35 years
Rolling stock	35 years
Leasehold Improvement	4 – 5 years
Right-of-use assets	2 – 5 years

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.

Based on the Entity's assessment, no changes are required to the useful life of the Entity's property, plant and equipment in this financial year.

(vii) Major inspection costs

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

(viii) Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. If the effect of the time value of money is material, these costs are discounted at the appropriate market yields on government bonds.

(ix) Maintenance

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

(x) 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.

(xi) Right-of-use assets acquired by lessees

The Entity has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained in Note 14.

(xii) Service concession assets

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

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Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

Recognition and measurement (continued)

(xii) Service concession assets (continued)

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

Description	Service concession arrangement	
Rights and obligations	<p>The Entity regulates the Metro rail services to be provided to the general public.</p> <p>The arrangements detailed below represent service concession arrangements where upon construction completion and operational commencement, the operators are required to deliver a safe and reliable metro passenger service. In return, the Entity pays consideration for the delivery phase across the project term (i.e. design and construction), and payments for operation and maintenance.</p> <p>The operators are required to hand back the significant residual interest of the assets in the project at the end of the project term.</p>	
Name & description of the SCA OR group of SCAs	The Entity has a contract with Northwest Rapid Transit relating to the Sydney Metro North West Line & the Sydney Metro City & Southwest project.	The Entity has a contract with Parklife Metro relating to the Sydney Metro Western Sydney Airport metro project.
Period of the arrangement	The period of the arrangement is from September 2014 to May 2034.	The period of the arrangement is from December 2022 to April 2042.
Terms of the arrangement	<p>The arrangement involves Northwest Rapid Transit (the operator) being responsible for the design, construction, operations and maintenance of the North West Line and the Sydney Metro City & Southwest Line. Currently, the operator is responsible for:</p> <ul style="list-style-type: none"> operation and maintenance of the North West Line that is currently operational between Tallawong Station and Chatswood Station. Operations began in May 2019. design and construction of the Sydney Metro City Line, between Chatswood to Sydenham. Design and construction began in December 2019. The Sydney Metro Southwest line will be constructed by the Entity. The operator will be responsible for the Operations and Maintenance of both the Sydney Metro City & Southwest Lines. 	<p>The arrangement involves Parklife Metro (the operator) being responsible for the design, construction, operations and maintenance of the Sydney Metro Western Sydney Airport metro project. The operator is responsible for:</p> <ul style="list-style-type: none"> design and construction of the Western Sydney Airport Line, between St Marys and the new Aerotropolis. Design and construction began in December 2022. operation and maintenance of the Western Sydney Airport Line. The line is expected to open in April 2027.
Changes in arrangements occurred in 2022	For the Sydney Metro Northwest PPP arrangement, the Conditional Debt Pay Down (CDPD) period is from May 2021 to May 2023, subject to the operator meeting certain conditions. The CDPD payment date changed from June 2021 to December 2021. This had resulted in a remeasurement of the service concession financial liability in September 2021 and a loss of \$13.2 million was recognised.	Not applicable

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Notes to the financial statements

for the year ended 30 June 2023

13. Property, plant and equipment (continued)

Recognition and measurement (continued)

(xii) Service concession assets (continued)

Description	Service concession arrangement				
Change in arrangements occurred in 2023	-		-		
The carrying amount of service concession assets	Asset class	\$'000 As at 30 June 2023	\$'000 As at 30 June 2022	Asset class	\$'000 As at 30 June 2023
	Land and buildings	232,276	244,774	Land and buildings	-
	Rail systems	10,254,262	9,411,071	Rail systems	-
	Rail systems - Asset under construction	1,735,151	1,366,425	Rail systems - Asset under construction	624,128
	Plant and equipment	15,333	16,541	Plant and equipment	-
	Rolling stock	1,749,790	785,970	Rolling stock	-

Initial recognition

For arrangements within the scope of AASB 1059, the Entity recognises a service concession asset when it controls the asset. Where the asset is provided by the operator or is an upgrade to or a major component replacement of an existing asset of the Entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

Where the asset is an existing asset of the Entity, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment* and AASB 136 *Impairment of Assets*.

The Entity applied the higher of the 'interest accretion' and indexation methods in measuring the service concession assets (assets under construction) at current replacement cost. The approach uses the Operator's cost of funding in the service concession arrangement as a proxy for the fair value uplift of service concession assets that are under construction and is recorded as a revaluation adjustment. Upon construction completion, a comprehensive valuation assessment will be performed by an external professionally qualified valuer. Refer to Note 13 (iv) for further details on revaluation of property, plant and equipment, including service concession assets.

At the end of the arrangement

At the end of the service concession arrangement:

- the Entity accounts for the asset in accordance with other AAS, with the Entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the Entity loses control of the asset in accordance with AASB 116.

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Notes to the financial statements

for the year ended 30 June 2023

14. Leases

(a) Entity as a lessee

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

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

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$10.3 million (2022: \$8.7 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was nil (2022: nil).

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

The Entity has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value leases are leases with a fair value of \$10,000 or less when new and comprise mainly motor vehicle leases. The Entity has \$10,000 (2022: \$180,000) of short term and low value leases that have not been included in the lease liability or right-of-use assets, and were capitalised in Property, Plant and Equipment as directly attributable costs; there was also \$50,000 of short-term leases expensed in 2023 (2022: \$11,000).

In June 2022, the Entity reflected changes in the office accommodation arrangements with Transport for NSW (TfNSW). The main change is the introduction of the "substitution right" clause for TfNSW to relocate the entity during the term of the agreement. The clause provides TfNSW with a substantive substitution right. Therefore, these agreements are no longer accounted for as a lease within the scope of AASB 16. The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition was recognised in Other Gains/(Losses) (refer to Note 5). From 1 July 2022, the accommodation charges are recognised as expenses when incurred over the agreement duration.

The entity continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as the entity receives the economic benefits via using the fit-out or expected compensation from TfNSW upon relocation. The incentives received prior to the 30 June 2022 apply to the remaining occupancy period. Therefore, the entity's accounting treatment for make-good provision and fit-out costs in relation to the relevant accommodation remains unchanged.

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Notes to the financial statements

for the year ended 30 June 2023

14. Leases (continued)

(a) Entity as a lessee (continued)

Right-of-use assets under leases

The following table presents right-of-use assets that do not meet the definition of investment property.

	Notes	Land and buildings \$ '000	Plant and equipment \$ '000	Total \$ '000
Balance at 1 July 2022		41,249	91	41,340
Additions		5,071	349	5,420
Disposals		-	(3)	(3)
Depreciation expense	2(d)	(7,653)	(91)	(7,744)
Other movements		2,383	-	2,383
Balance at 30 June 2023		41,050	346	41,396

	Notes	Land and buildings \$ '000	Plant and equipment \$ '000	Total \$ '000
Balance at 1 July 2021		45,018	41	45,059
Additions		492	76	568
Disposals			(4)	(4)
Depreciation expense	2(d)	(12,029)	(35)	(12,064)
Derecognition of right-of-use		(5,983)	-	(5,983)
Other movements		13,751	13	13,764
Balance at 30 June 2022		41,249	91	41,340

Impairment losses for right-of-use assets

The COVID-19 outbreak occurring since the 2019-20 financial year had a major impact on the NSW and global economies. COVID-19 significantly impacted the market rent for generic office accommodation and therefore the value of some lease right-of-use assets in the Statement of Financial Position.

The Entity had therefore undertaken an impairment assessment for the above right-of-use assets at 30 June 2023 to calculate the impairment loss using life to date market rental forecast movement approach. The Entity recognised a nil impairment loss in 2022-23 (2022: nil) for right-of-use assets.

The recoverable amount was determined by reference to its fair value less costs of disposal. The valuation technique used in the fair value measurement is classified as level 3 according to AASB 13 *fair value hierarchy*.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

14. Leases (continued)

(a) Entity as a lessee (continued)

Impairment losses for right-of-use assets (continued)

Asset description	Valuation technique	Key assumptions	Fair value hierarchy of fair value less cost of disposal assessment
Right-of-use asset – Land and Buildings	Current Replacement Cost (CRC) approach – assets are valued based on the net replacement cost of a new equivalent asset with the same geographical market and remaining lease term. The net replacement costs, and consequent impairment (if any) are determined based on market driven factors across the portfolio of right of use land and building assets.	<ul style="list-style-type: none"> The assets were recognised at fair value at the time of initial recognition or lease commencement date. Cost of disposals is immaterial The rent profile (fixed percentage, market rent review, consumer price index (CPI) or combination) at the lease commencement date represents of market rent forecasts. Regional market rents are linked with CPI. 	Level 3

The discount rate ranges employed in present value technique computations of recoverable amounts is summarised in the below table.

Recoverable amount	Current measurement discount rates	Previous measurement discount rates
Fair value less cost of disposal – discounted cash flow technique	Internal borrowing rates at the valuation date.	Internal borrowing rates at the valuation date.

Lease liabilities

The following table presents liabilities under leases.

	2023 \$ '000	2022 \$ '000
Opening balance	42,606	49,794
Additions	5,413	568
Interest expenses	1,225	812
Payments	(9,434)	(14,141)
Derecognition of lease liabilities	-	(8,153)
Other movements	2,383	13,726
Balance at 30 June	42,193	42,606

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

14. Leases (continued)

(a) Entity as a lessee (continued)

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the Entity is the lessee.

	2023 \$ '000	2022 \$ '000
Depreciation expense of right-of-use assets	14	1,434
Interest expense on lease liabilities	1,225	812
Expense relating to short-term leases	50	11
Gains or losses arising from derecognising the right-of-use assets and lease liabilities	-	(2,170)
Total amount recognised in the statement of comprehensive income	1,289	87

The Entity had total cash outflows for leases of \$9.5 million in 2023 (2022: \$14.1 million).

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

The Entity entered into leases with various government agencies for periods between 1 to 5 years. The lease premises are used by the Entity in order to obtain access to the sites in order to undertake the metro construction works. The lease contracts specify lease payments between \$1 to \$100 per annum. As such, these leases do not have a material impact on the Entity's financial statements.

Recognition and measurement

The Entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

(i) Right-of-use assets

The Entity recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, as follows:

- Land and buildings: 2 – 5 years; and
- Motor vehicles: 2 – 3 years.

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

The right-of-use assets are also subject to impairment. The Entity assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount.

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Notes to the financial statements

for the year ended 30 June 2023

14. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and measurement (continued)

(i) Right-of-use assets

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

(ii) Lease liabilities

At the commencement date of the lease, the Entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of purchase options reasonably certain to be exercised by the Entity; and
- payments of penalties for terminating the lease, if the lease term reflects the Entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Entity's leases, the lessee's incremental borrowing rate is used, being the rate that the Entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Entity's lease liabilities are included in borrowings.

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

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

(iv) Leases that have significantly below market terms and conditions principally to enable the Entity to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the Entity to further its objectives is same as normal right-of-use assets. They are measured at cost, subject to impairment.

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Notes to the financial statements

for the year ended 30 June 2023

14. Leases (continued)

(b) Entity as a lessor

Lessor for finance lease

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

At the lease commencement date, the Entity recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets at amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease. The Entity records its back-to-back sub-leases as finance leases, resulting in the recognition of finance lease receivables as opposed to the right-of-use assets.

As at 30 June 2023, the Entity is not a lessor for finance lease.

Lessor for operating lease

Future minimum rentals receivables (undiscounted) under non-cancellable operating lease as at 30 June are as follows:

	2023 \$'000	2022 ¹ \$'000
Within one year	167	175
One to two years	95	100
Two to three years	68	25
Three to four years	69	25
Four to five years	63	25
Later than five years	418	446
Total (excluding GST)	880	796

¹The prior year amounts were adjusted to reflect omitted lease agreement.

Recognition and measurement – lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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Notes to the financial statements

for the year ended 30 June 2023

15. Intangible assets

	Easements \$'000	Software work in progress \$'000	Biodiversity credits \$'000	Total Intangibles \$'000
At 1 July 2022				
Cost (gross carrying amount)	158	723	11,111	11,992
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	158	723	11,111	11,992
At 30 June 2023				
Cost (gross carrying amount)	199	-	8,021	8,220
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	199	-	8,021	8,220
At 1 July 2021				
Cost (gross carrying amount)	158	1,705	9,251	11,114
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	158	1,705	9,251	11,114
At 30 June 2022				
Cost (gross carrying amount)	158	723	11,111	11,992
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	158	723	11,111	11,992
Reconciliation of carrying amounts				
	Easements \$'000	Software work in progress \$'000	Biodiversity credits \$'000	Total Intangibles \$'000
Net carrying amount at 1 July 2022	158	723	11,111	11,992
Additions	-	13	-	13
Reclassification to property, plant and equipment	41	(736)	(3,090)	(3,785)
Net carrying amount at 30 June 2023	199	-	8,021	8,220
Net carrying amount at 1 July 2021	158	1,705	9,251	11,114
Additions	-	878	-	878
Reclassification to property, plant and equipment	-	(200)	1,860	1,660
Write-off of intangible assets	-	(1,660)	-	(1,660)
Net carrying amount at 30 June 2022	158	723	11,111	11,992

Recognition and measurement

The Entity recognises intangible assets only if it is probable that future economic benefits will flow to the Entity and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the Entity's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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Notes to the financial statements

for the year ended 30 June 2023

15. Intangible assets (continued)

Recognition and measurement (continued)

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

The Entity's intangible assets comprise principally of biodiversity credits and easements. The Entity purchases biodiversity credits from the open market, in order to meet its obligations in accordance with the *NSW Biodiversity Conservation Act 2016 (BC Act)* and if required the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)*. Biodiversity credits are not amortised and have an indefinite useful life. The Entity also recognises easements as intangible assets, which give the Entity the right to use the part of land not owned by the Entity. The easements are not amortised and have an indefinite useful life.

The costs relating to intangibles that are under development are shown as work in progress and are not amortised until the intangibles are brought into service. The Entity's work in progress relates to software upgrades and development that are not yet available for use. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

16. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

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

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

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Notes to the financial statements

for the year ended 30 June 2023

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

Fair value measurement and hierarchy (continued)

(a) Fair value hierarchy

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June.

30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Property, plant and equipment				
Land and buildings	-	803,195	699,227	1,502,422
Plant and equipment	-	-	17,678	17,678
Rolling stock	-	-	1,749,791	1,749,791
Rail systems	-	-	31,253,625	31,253,625
Total property, plant and equipment	-	803,195	33,720,321	34,523,516
Non-current assets held-for-sale	-	58,358	-	58,358
Fair value as at 30 June 2023	-	861,553	33,720,321	34,581,874

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
Property, plant and equipment				
Land and buildings	-	915,838	813,110	1,728,948
Plant and equipment	-	-	21,475	21,475
Rolling stock	-	-	785,970	785,970
Rail systems	-	-	23,744,525	23,744,525
Total property, plant and equipment	-	915,838	25,365,080	26,280,918
Non-current assets held-for-sale	-	2,773	-	2,773
Fair value as at 30 June 2022	-	918,611	25,365,080	26,283,691

(b) Valuation process

The Entity 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.

The Entity engages external qualified valuers to determine the fair value of the Entity's non-financial assets. A full valuation of Metro Northwest rail assets (excluding land) was conducted by E3 Advisory Pty Ltd as at 31 March 2022. A full valuation of Sydney Metro Northwest land assets was conducted by Colliers International as at 31 March 2022. The respective external qualified valuers performed an interim desktop revaluation as at 30 June 2023 for:

- Sydney Metro Northwest rail assets and Sydney Metro Northwest land assets
- properties acquired for Sydney Metro City South West project but not used for construction
- developable land under Northwest Property Development Agreement which are being developed in partnership with Landcom.

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Notes to the financial statements

for the year ended 30 June 2023

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

Fair value measurement and hierarchy (continued)

(b) Valuation process (continued)

The Entity has conducted interim valuations as at 30 June 2023 to determine the fair value of rail infrastructure assets under construction and land under rail infrastructure assets under construction.

Leasehold improvement within land and building category and office fitouts within plant and equipment asset category are measured using depreciated historical cost as an approximation of fair value and do not require revaluation due to their short useful lives.

(c) Valuation techniques and input

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

- markets, adjusted to reflect those differences;
- current replacement cost where the selling price is not available, with reference to most appropriate modern, depreciated equivalent replacement asset that provides similar economic benefits;
- construction costs incurred by the Entity based on contract costs and overhead costs escalated from contract to measurement date;
- discounted cash flow projections based on estimates of future cash flows.

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

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.
- Rail infrastructure assets under construction – replacement cost approach with application of the cumulative indexation factors to the carrying amount of the asset balance
- Land under rail infrastructure assets under construction – the latest available Valuer-General's sales evidence and market indicators is used for each land property; adjusted for restrictions imposed on the use of the land
- Leasehold improvement makegood assets – restoration costs on the leased property estimated on the rate per square metre basis were discounted, adjusted for inflation and depreciated over the remaining lease period.

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Notes to the financial statements

for the year ended 30 June 2023

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

Fair value measurement and hierarchy (continued)

(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 as at 1 July 2022	813,110	21,475	785,970	23,744,525	25,365,080
Additions	936,159	-	-	6,485,339	7,421,498
Revaluation decrements recognised in net result	(962,062)	-	-	-	(962,062)
Revaluation increments/decrements recognised in other comprehensive income	-	(658)	285,885	2,057,107	2,342,334
Depreciation expense	(296)	(3,875)	(31,591)	(195,696)	(231,458)
Disposals	(90,000)	-	-	-	(90,000)
Transfer from other classes of property, plant and equipment	26	2,903	709,527	(712,456)	-
Transfers (to)/from local councils and other external entities	2,290	-	-	(128,243)	(125,953)
Transfers to other Transport entities	-	(2,903)	-	-	(2,903)
Reclassification (to)/from intangible assets	-	736	-	3,049	3,785
Fair value as at 30 June 2023	699,227	17,678	1,749,791	31,253,625	33,720,321

	Land and buildings \$ '000	Plant and equipment \$ '000	Rolling stock \$ '000	Infrastructure systems \$ '000	Total \$ '000
Fair value at 1 July 2021	640,004	18,306	644,686	17,533,467	18,836,463
Additions	-	-	-	6,147,995	6,147,995
Revaluation decrements recognised in net result	(1,022,461)	-	-	-	(1,022,461)
Revaluation increments/decrements recognised in other comprehensive income	-	6,715	162,044	1,550,884	1,719,643
Depreciation expense	(604)	(3,745)	(20,760)	(199,424)	(224,533)
Disposals	-	-	-	(1,277)	(1,277)
Transfer from other classes of property, plant and equipment	1,200,867	-	-	(1,200,867)	-
Transfers (to)/from local councils and other external entities	54,416	-	-	(84,206)	(29,790)
Reclassification (to)/from intangible assets	-	199	-	(1,860)	(1,661)
Transfer to Level 2 assets	(5,123)	-	-	-	(5,123)
Transfer to assets held-for-sale	(53,989)	-	-	(187)	(54,176)
Fair value as at 30 June 2022	813,110	21,475	785,970	23,744,525	25,365,080

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

17. Payables

	2023 \$'000	2022 \$'000
Trade creditors	42,550	45,797
Accrued expenses	504,995	958,572
Personnel service payables	6,212	6,749
Other creditors	1,618	1,450
Current payables	555,375	1,012,568

Recognition and measurement

Payables represent liabilities for goods and services provided to the Entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Payables are financial liabilities at amortised cost, 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. Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 26 (f).

18. Borrowings

	2023 \$'000	2022 \$'000
Lease liabilities	7,948	7,340
Service concession financial liabilities	648,168	82,680
Current borrowings	656,116	90,020

Lease liabilities	34,245	35,266
Service concession financial liabilities	1,979,826	1,750,042
Non-current borrowings	2,014,071	1,785,308

Repayment of borrowings	2023 \$'000	2022 \$'000
Not later than one year	661,782	90,020
Later than one year and not later than five years	1,499,250	1,696,942
Later than five years	509,155	88,366
Repayment of borrowings	2,670,187	1,875,328

The service concession financial liability represents the liability under the Public Private Partnership (PPP) relating to Sydney Metro Northwest, City and Southwest and Western Sydney Airport projects.

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Notes to the financial statements

for the year ended 30 June 2023

18. Borrowings (continued)

Recognition and measurement

Borrowing represents interest bearing liabilities mainly lease liabilities and service concession arrangement liabilities.

Financial liabilities at amortised cost

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading such as derivatives and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

Derivatives are carried as financial liabilities when the fair value is negative. Gains or losses on liabilities held-for-trading are recognised in the net result. The Entity has not designated any financial liability at fair value through profit or loss.

Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the liabilities are part of a group of financial liabilities, that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

The changes in fair value of liabilities designated at fair value through profit or loss are recorded in profit or loss with the exception that movements in fair value due to changes in the entity's own credit risk are recorded in other comprehensive income and do not get recycled to net result.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings, are disclosed in Note 26.

Lease liabilities are determined in accordance with AASB 16.

18. Borrowings (continued)

Recognition and measurement (continued)

Service concession financial liabilities

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

In addition, the carrying amount of the service concession financial liability is remeasured if there is a modification, or if there is a change in estimated cash flows. In accordance with AASB 9 *Financial Instruments*, when the service concession financial liability is remeasured due to a change in estimated cash flows, the service concession financial liability is recalculated to reflect the present value of the new estimated future contractual cash flows, discounted at the original effective interest rate. The corresponding adjustment is reflected in the profit and loss. Refer to Note 5 for disclosures of the gain or loss recognised on the service concession financial liability.

Financial guarantees

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

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, the entity's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision. The entity has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2023 and as at 30 June 2022. However, refer to Note 25 regarding disclosures on contingent liabilities.

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Notes to the financial statements

for the year ended 30 June 2023

18. Borrowings (continued)

Changes in liabilities arising from financing activities

	Lease liabilities \$'000	Service concession arrangements \$'000	Financial liabilities at fair value \$'000	Total liabilities from financing activities \$'000
Balance at 1 July 2022	42,606	1,832,722	-	1,875,328
Cash flows	(9,434)	(97,804)	-	(107,238)
New leases	5,413	-	-	5,413
New service concession arrangements ¹	-	802,354	-	802,354
Other ²	3,608	90,722	-	94,330
Balance at 30 June 2023	42,193	2,627,994	-	2,670,187
Balance at 1 July 2021	49,794	2,335,985	1,225	2,387,004
Cash flows	(14,141)	(801,251)	-	(815,392)
New leases	568	-	-	568
New service concession arrangements ¹	-	246,426	-	246,426
Derecognition of leases	(8,153)	-	-	(8,153)
Other ²	14,538	51,562	(1,225)	64,875
Balance at 30 June 2022	42,606	1,832,722	-	1,875,328

¹ Relates to City and Southwest and Western Sydney Airport service concession financial liabilities that are progressively recognised during construction phase, in line with the progressive build-up of the service concession asset. The liability represents the Entity's obligation to pay the operator for providing the service concession asset. The Western Sydney Airport service concession arrangement applies from December 2022 only.

² Relates to the non-cash movements associated with the Northwest, City and Southwest and Western Sydney Airport service concession financial liabilities, including accretion of interest, gain on refinancing and gain/loss on measurement of service concession financial liabilities and derivatives measured at fair value.

19. Provisions

	2023 \$'000	2022 \$'000
Land and buildings remediation	119,313	53,664
Other ¹	109,294	167,857
Current provisions	228,607	221,521
Land and buildings remediation	8,850	41,248
Other ¹	13,071	-
Non-current provisions	21,921	41,248

¹ Other provisions include future payment obligations under the Integrated Station Development arrangement of \$16.3 million (2022: \$33.5 million), provision for contractor claims of \$88.4 million (2022:nil), minor repair costs for Metro Northwest of \$17.7 million (2022:nil), and bid costs of nil (2022: \$130.0 million).

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

19. Provisions (continued)

Movement in provisions

	Land and buildings remediation \$'000	Integrated Station Development payment obligations \$'000	Other \$'000	Total \$'000
Carrying amount at 1 July 2022	94,911	33,503	134,355	262,769
Additional provision recognised	103,660	2,998	105,846	212,504
Provision reversed	(17,968)	-	(4,151)	(22,119)
Provision used	(52,822)	(20,186)	(130,000)	(203,008)
Unwinding/change in discount rate	382	-	-	382
Carrying amount at 30 June 2023	128,163	16,315	106,050	250,528

Recognition and measurement

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

Any provisions for restructuring are recognised only when the Entity 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 the Entity 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.

20. Other liabilities

	2023 \$'000	2022 \$'000
Income received in advance	5	-
Other ²	655	-
Current liabilities	660	-
Income received in advance ¹	3,000	-
Other ²	14,089	2,773
Non-current other liabilities	17,089	2,773

¹ Relates to a deposit received for the sale of a property.

² Other liabilities include future payments required to be made in relation to Integrated Station Development arrangements of \$2.7 million (2022: \$2.8 million) and contribution from the metro operator for the contingency fund as part of the project deed of \$12.0 million (2022: nil).

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

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

	Actual 2023 \$'000	Actual 2022 \$'000
Net cash flows from operating activities	6,023,389	7,070,591
Depreciation and amortisation	(233,071)	(227,586)
Non-cash revenue and expenses	(214,937)	(45,718)
Other losses	(998,484)	(854,584)
Increase/(decrease) in receivables and other assets	(219,173)	78,980
(Increase) / decrease in payables and provisions	174,080	(13,138)
Net gain on sale of property, plant and equipment	49,672	95,896
Reconciliation to net result	4,581,476	6,104,441

22. Non-cash financing and investing activities

	Notes	2023 \$'000	2022 \$'000
Property, plant and equipment revaluation decrement	5	(1,014,746)	(898,611)
Contributions from other government agencies	3(c)	2,290	54,783
Non-cash investing activities		(1,012,456)	(843,828)
Gains/(losses) on financial liability at amortised cost	5	2,475	(7,793)
Non-cash financing activities		2,475	(7,793)

23. Commitments

	2023 \$'000	2022 \$'000
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	5,326,037	4,694,253
Later than one year and not later than five years	4,133,666	3,656,543
Later than five years	890	58,860
Total (including GST)	9,460,593	8,409,656

Net GST on all commitments estimated at \$860.1 million (2022: \$764.5 million) will be recouped from the Australian Taxation Office.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

24. Equity and reserves

(a) Asset revaluation reserve

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

(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. However, if the hedged item is the cost of a non-financial asset or liability, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

During the year, \$11.1 million of hedge reserve balance was transferred to Property, Plant and Equipment as additions to initial carrying value of the hedged asset in accordance with AASB 9 *Financial Instruments*.

(c) Accumulated funds

Accumulated funds include all current and prior period retained funds.

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 Australian Accounting Standards to be treated as contributions by owners and recognised as an adjustment to 'accumulated funds. This treatment is consistent with TPP 21-8 *Contributions by Owners Made to Wholly Owned Public Sector Entities* (TPP 21-8), 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.

During the year, the Transport Secretary directed Sydney Metro to transfer electronic ticketing system assets at a fair value of \$2.9 million to Transport for NSW under the *Transport Administrations Act 1988*, and it has been accounted for as adjustment to equity in accordance with TPP 21-8.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

25. Contingent assets and contingent liabilities

There are contractual claims that have been made by contractors engaged by the Entity on the Sydney Metro City & Southwest and Sydney Metro West projects in the ordinary course of business. The amount of the liability that may arise from these other contractual claims cannot be measured reliably at this time.

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

The Entity has an agreement with Landcom for the development of parcels of land surrounding the Metro Northwest station sites. Under the terms of the arrangement, the Entity has a possible liability that is contingent on the achievement of certain milestones and thresholds by Landcom.

The Entity has environmental matters emerging from sites under construction. There is significant uncertainty as to whether any future liability will emerge due to uncertainty over the remediation activities required, and as such a liability cannot be accurately calculated at the date of preparation of the financial statements. Where there is a legal or constructive obligation to undertake remediation and the cost can be reliably estimated a provision is made (refer to Note 19).

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

26. Financial instruments

The Entity's principal financial instruments are outlined below. These financial instruments arise directly from the Entity's operations or are required to finance the Entity's operations and manage forecast cash flow exposures. The Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The operational activities of the Entity 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 the Entity's objectives, policies and processes for measuring and managing risk.

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

The 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 Entity, to set limits and to monitor risks. Compliance with these policies is reviewed by the Entity on a continuous basis.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

26. Financial instruments (continued)

(a) Financial instrument categories

	Notes	Category	Carrying amount 2023 \$'000	Carrying amount 2022 \$'000
Financial assets				
Class:				
Cash and cash equivalents	7	Amortised cost	547,878	1,534,174
Receivables ¹	8	Amortised cost	1,171,026	1,303,869
Financial assets at fair value	10	Fair value through profit or loss - designated as such at initial recognition	53,493	43,161
Other financial assets	11	Amortised cost	9,429	6,730
			1,781,826	2,887,934
Financial liabilities				
Class:				
Payables ²	17	Financial liabilities measured at amortised cost	555,375	1,012,568
Other Liabilities	20	Financial liabilities measured at amortised cost	14,744	2,773
Borrowings	18	Financial liabilities measured at amortised cost	2,670,187	1,875,328
			3,240,306	2,890,669

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

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

During the year ended 30 June 2023, there were no defaults on any borrowings or 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.

(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 the Entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement; and either:

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

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

26. Financial instruments (continued)

(b) Derecognition of financial assets and financial liabilities

When the Entity has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Entity has neither transferred nor retained substantially all the risk and rewards or transferred control, the asset continues to be recognised to the extent of the Entity's continuing involvement in the asset. In that case, the Entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Entity has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Entity could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Derivatives

The Entity only uses derivatives for hedging purposes and not as trading or speculative instruments. The Entity has nil derivative financial liabilities (2022: nil), and \$53.5 million (2022: \$43.2 million) derivative financial assets.

All derivatives are measured at fair value. Information about the exposure is provided: credit risk in Note 26(e), market risk in Note 26 (g), the methods and assumptions used in determining fair values of derivatives in Note 26(h).

Energy price risk management

The Entity is exposed to energy price risk associated with the purchase of energy to operate transport services.

It is the Entity'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.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

26. Financial instruments (continued)

(d) Derivatives (continued)

Energy price risk management (continued)

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.

	Notional MW/h	Expected cash flow			Total \$'000
		Less than 12 months \$'000	1 - 5 Years \$'000	Greater than 5 Years \$'000	
2023					
Energy derivative contract	134,000	-	2,256	16,461	18,717
2022					
Energy derivative contract	134,000	-	460	1,772	2,232

(e) Credit risk

Credit risk arises when there is a possibility that the counterparty will default on their contractual obligations, resulting in financial loss to the Entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

Credit risk arises 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. The Entity holds bank guarantees for significant contractors. The Entity has not granted any financial guarantees.

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the current Reserve Bank of Australia official cash rate.

Derivatives

The Entity 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. The Entity 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.

26. Financial instruments (continued)

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

Trade debtors are written off when there is no reasonable expectation of recovery. The Entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Most 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, the Entity's loss allowance for trade debtors as at 30 June 2023 and 30 June 2022 was determined as nil.

(f) Liquidity risk

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

During the current year, there were no defaults on borrowings and no assets have been pledged as collateral. The Entity'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.

NSW Treasury obtained a GSF Act financial arrangements approval for an aggregate facility borrowing limit for all GSF agencies under purchasing card and other card facilities of \$700.0 million on 9 February 2023. The Entity had an amount owing of \$0.2 million, for spend that forms part of the aggregate facility borrowing limit as at 30 June 2023.

Notes to the financial statements

for the year ended 30 June 2023

26. Financial instruments (continued)

(f) Liquidity risk (continued)

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

Maturity analysis and interest rate exposure of financial liabilities	Weighted average effective int. rate (%)	Nominal amount ¹ \$ '000	Interest rate exposure			Maturity dates		
			Fixed interest rate \$ '000	Variable interest rate \$ '000	Non-interest bearing \$ '000	< 1 year \$ '000	1 - 5 years \$ '000	> 5 years \$ '000
2023								
Payables								
Trade creditors	-	42,550	-	-	42,550	42,550	-	-
Accrued expenses	-	504,996	-	-	504,996	504,996	-	-
Personnel services payable	-	6,212	-	-	6,212	6,212	-	-
Other creditors	-	1,618	-	-	1,618	1,618	-	-
Other liabilities	-	14,744	-	-	14,744	655	14,089	-
Borrowings								
Service concession financial liability	4.5	6,416,457	5,502,129	914,328	-	669,595	1,425,008	4,321,854
Lease liabilities	3.7	47,388	-	47,388	-	9,366	31,728	6,294
		7,033,965	5,502,129	961,716	570,120	1,234,992	1,470,825	4,328,148
2022								
Payables								
Trade creditors	-	45,797	-	-	45,797	45,797	-	-
Accrued expenses	-	958,572	-	-	958,572	958,572	-	-
Personnel services payable	-	6,749	-	-	6,749	6,749	-	-
Other creditors	-	1,450	-	-	1,450	1,450	-	-
Other liabilities	-	2,773	-	-	2,773	-	2,773	-
Borrowings								
Service concession financial liability	2.89	2,404,019	1,401,035	1,002,984	-	85,060	1,533,879	785,080
Lease liabilities	1.62	45,260	-	45,260	-	7,972	26,973	10,315
		3,464,620	1,401,035	1,048,244	1,015,341	1,105,600	1,563,625	795,395

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Entity can be required to pay. These amounts include both interest and principal cashflows and therefore will not reconcile to the amounts disclosed in the statement of financial position.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

26. Financial instruments (continued)

(g) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Entity's exposure to market risk is primarily through foreign exchange risks associated with overseas purchase commitments and commodity price risk associated with energy purchases and interest rate risk associated with interest bearing payment commitments.

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 the Entity operates and the time frame for the assessment (i.e., until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance date. The analyses is performed on the same basis as for 2022. The analysis assumes that all other variables remain constant.

Interest rate risk

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

The Entity does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid or earned. 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.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates:

2023	Carrying amount \$'000	-1%		+1%	
		Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	547,878	(5,479)	(5,479)	5,479	5,479
Financial assets at fair value	53,493	(535)	(535)	535	535
Financial liabilities					
Service concession financial liability	914,329	6,553	6,553	(6,553)	(6,553)

2022	Carrying amount \$'000	-1%		+1%	
		Net result \$'000	Equity \$'000	Net result \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	1,534,174	(15,342)	(15,342)	15,342	15,342
Financial assets at fair value	43,161	(432)	(432)	432	432
Financial liabilities					
Service concession financial liability	1,002,984	1,226	1,226	(10,498)	(10,498)

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

26. Financial instruments (continued)

(g) Market risk (continued)

Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. There is no foreign exchange exposure for the Entity as at 30 June 2023 (2022: nil exposure).

Commodity price risk

The Entity is exposed to commodity price risk from electricity purchases.

The Entity is exposed to electricity price risk associated with the purchase of electricity 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 Entity's energy load. Generally, electricity swap contracts are designated as cash flow hedges. However as at 30 June 2023, the only electricity derivative financial instrument was not designated in a hedge relationship under AASB 9 *Financial Instruments*. This derivative is classified as held for trading. The derivative is carried as a financial liability when the fair value is negative. Gains or losses on liabilities held for trading are recognised in the net result.

The Entity's exposure to commodity price risk is set out in the table below, with all other variables being held constant.

The impact on other comprehensive income is due to changes in the fair value of the financial instruments.

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

		10%			-10%	
		Notional MW/h \$ '000	Net Result \$ '000	Equity \$ '000	Net Result \$ '000	Equity \$ '000
2023	Energy derivatives	134,000	26,419	-	12,231	-
2022	Energy derivatives	134,000	8,916	-	(4,451)	-

(h) Fair value compared to carrying amount

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

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

	2023		2022	
	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000
Borrowings				
Service concession financial liabilities ¹	3,099,189	2,627,994	1,817,671	1,832,722

¹The fair value of service concession financial liabilities is determined using the discounted cash flow analysis method that reflects the Entity's incremental borrowing rates, which is TCorp lending rates at the end of the reporting period.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

26. Financial instruments (continued)

(h) Fair value compared to carrying amount (continued)

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.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

Fair value recognised in the Statement of financial position

	Level 1 2023 \$'000	Level 2 2023 \$'000	Level 3 2023 \$'000	Total 2023 \$'000
Financial assets at fair value				
Interest rate swap derivative	-	34,240	-	34,240
Energy derivative	-	-	19,253	19,253
	-	34,240	19,253	53,493

	Level 1 2022 \$'000	Level 2 2022 \$'000	Level 3 2022 \$'000	Total 2023 \$'000
Financial assets at fair value				
Interest rate swap derivative	-	40,929	-	40,929
Energy derivative	-	-	2,232	2,232
	-	40,929	2,232	43,161

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.

The fair value of the interest rate swap derivative is based on market value (level 2).

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

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

27. 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 result was less than original budget by \$3.1 billion, mainly due to the following:

	\$M
Net result per the Budget	7,676
Variance between budget and actual comprises of:	
Higher actual operating expenses	(181)
Lower actual grants and subsidies expense	167
Higher actual other expenses	(37)
Lower actual gain on asset disposal	(16)
Higher Interest expense from service concession financial liabilities	(15)
Higher actual sale of goods and services	103
Lower actual grants and contributions	(2,127)
Other gains/losses not budgeted	(998)
Lower actual depreciation expense	3
Other variances	6
Actual net result	4,581

(b) Assets and liabilities

The actual net assets were \$2.3 billion lower than the original budget, mainly due to the following:

	\$M
Closing net assets as per the Budget	35,698
Variance between budget and actual comprises of:	
Lower than budgeted cash balance	(127)
Lower than budgeted capital purchases	(1,761)
Higher actual receivables	317
Higher actual non-current assets held for sale	45
Higher than budgeted right-of-use assets	21
Lower than budgeted intangible purchases	(3)
Higher than budgeted borrowings	(639)
Derivative assets not budgeted	53
Higher than budgeted payables	(21)
Higher than budgeted provisions	(222)
Other variances	(3)
Actual net assets	33,358

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

27. Budget review (continued)

(c) Cash flows

The closing cash position was \$127.4 million lower than budget due to the following:

	\$M
Closing cash and cash equivalents per budget	675
Variance between budget and actual comprises of:	
Higher than budgeted opening cash and cash equivalents	776
Lower than budgeted net cash flow from operating activities mainly due to higher payments to suppliers and service contract payments	(2,018)
Lower than budgeted net cash flow from investing activities due to lower capital spend	1,074
Lower than budgeted net cash flow from financing activities due to lower repayments of borrowings	41
Closing Actual cash and cash equivalents	548

28. Related party disclosures

a) Key management personnel compensation

During the year, the Entity incurred \$1.3 million (2022: \$1.3 million) 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 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 during the financial year (2022: no material transactions).

During 2022-23, the Entity entered into the following transactions with its parent within the normal course of business:

- Grant revenue received from Transport for NSW;
- Recoupment of project and other costs incurred by Transport for NSW on behalf of Sydney Metro;
- Payments for shared services provided by Transport for NSW, these are charges for personnel services, finance, human resources, and information technology services;
- Vesting of electronic ticketing system assets to Transport for NSW; and
- Additional make good provision for the rent of community centre and office building.

During 2021-22, the Entity entered into the following transactions with its parent within the normal course of business:

- Grant revenue received from Transport for NSW;
- Recoupment of project and other costs incurred by Transport for NSW on behalf of Sydney Metro;
- Payments for shared services provided by Transport for NSW, these are charges for personnel services, finance, human resources, and information technology services;
- Lease arrangements with Transport for NSW for the use of a community centre and an office building;
- Gain on the AASB16 derecognition of 680 George St lease with Transport for NSW; and
- Reimbursement of replacement bus service payments to Transport for NSW.

28. Related party disclosures (continued)

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

There were no transactions or outstanding balances with other related parties during the financial year (2022: nil).

d) Transactions and outstanding balances with government related entities during the financial year

During 2022-23, the Entity entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Monthly reimbursements from TAHE for the design and construction of major rail projects by Sydney Metro;
- Payments for personnel services provided by Transport Service of NSW;
- Various insurance arrangements with iCare Insurance/NSW Self Insurance Corporation;
- Payments for services and works provided by Sydney Trains;
- Lease arrangements with Newcastle Port Corporation for the use of facilities as a construction site;
- Recoupment of project and other costs incurred by Sydney Metro on behalf of Sydney Trains;
- Lease arrangements with Newcastle Port Corp for 48 Roberts St Rozelle;
- Third party works with Sydney Water and Transport Asset Holding Entity;
- Payment of selling costs of Landcom site; and
- Redundancy costs funded by NSW Treasury via Transport for NSW for the Entity.

During 2021-22, the Entity entered into the following transactions with other entities consolidated as part of the NSW Total State Sector (the ultimate parent) within the normal course of business:

- Monthly reimbursements from TAHE for the design and construction of major rail projects by Sydney Metro;
- Payments for personnel services provided by Transport Service of NSW;
- Payments for services and works provided by other agencies, including Sydney Trains;
- Contribution from Infrastructure NSW in relation to Waterloo Metro Quarter Development;
- Lease arrangements with Newcastle Port Corporation for the use of facilities as a construction site;
- Recoupment of project and other costs incurred by Sydney Metro on behalf of Infrastructure NSW;
- Recoupment of project and other costs incurred by Sydney Metro on behalf of Sydney Trains;
- Metrowest third party works with Western Sydney Parklands, Parramatta Park;
- Payment to Biodiversity Conservation Fund; and
- Lease arrangements with Place Management NSW for the use of facilities as construction site.

Sydney Metro

Notes to the financial statements

for the year ended 30 June 2023

29. 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:

	2023	2022
	\$'000	\$'000
Cash balance 1 July	50,513	1,698
Add: Receipts	9,541	55,955
Less: Expenditure	(33,914)	(7,140)
Cash balance at 30 June	26,140	50,513

30. After balance date events

Contractor claims settlement

The Entity and the SVC Contractor had a dispute in relation to contractual claims and counterclaims relating to the Sydney Metro Northwest project. As at 30 June 2023, it was uncertain as to the extent or amount of any potential financial outcome that may arise in relation to this dispute. In September 2023, parties entered into a settlement deed. The financial statements were adjusted to reflect this adjusting event after the reporting date as the settlement confirms the present obligation at the end of the reporting period and provides additional information on a reliable estimate of the amount of the obligation.

Property, plant and equipment fair value adjustment

The Entity engaged an independent valuer to undertake a revised roll forward valuation of its Northwest rail infrastructure assets from 31 March 2023 to 30 June 2023 based on the availability of the June 2023 quarter indexation data in August 2023. This resulted in a decrease in the fair value of these assets by \$143.6 million.

The decrease in the fair value is due to lower than forecasted prices for materials and labour. Material prices have normalised after a period of inflated escalation driven by global supply chain constraints during the Covid-19 pandemic and lower than forecasted wages growth.

In addition, management conducted a fair value assessment of the Entity's rail infrastructure system assets under construction based on the availability of June 2023 quarter indexation data in August 2023. This had resulted in an increase in the fair value of these assets by \$50.2 million.

The events above are adjusting events after the reporting period as the conditions existed as at 30 June 2023. The amounts recognised in the financial statements were adjusted to reflect the adjusting events after the reporting period. The Entity had recognised a net decrease of \$93.4 million in property, plant and equipment and a corresponding net decrease in the asset revaluation reserve balance.

End of audited financial statements.

Sydney Metro Annual Report

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