

Office of the
National Rail Safety Regulator

Financial report
for the year ended
30 June 2018



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To the Chief Executive The Office of the National Rail Safety Regulator

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 43(3) of the Schedule to the *Rail Safety National Law (South Australia) Act 2012*, I have audited the financial report of the Office of the National Rail Safety Regulator for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance the provisions of the *Public Finance and Audit Act 1987*, the *Rail Safety National Law (South Australia) Act 2012* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Executive Director, Corporate.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Office of the National Rail Safety Regulator. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Conduct for Professional Accountants have been met.

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with provisions of the *Public Finance and Audit Act 1987*, the *Rail Safety National Law (South Australia) Act 2012* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

Auditor-General

24 August 2018

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

CERTIFICATION OF FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Office of the National Rail Safety Regulator:

- complies with Section 263 of the *Rail Safety National Law (South Australia) Act 2012* and Regulation 48 of *RSNL National Regulations*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Office of the National Rail Safety Regulator; and
- present a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2018 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Office of the National Rail Safety Regulator for the financial year over its financial reporting and the preparation of the general purpose financial statements have been effective throughout the reporting period.


.....
Chief Executive


.....
Executive Director - Corporate

23 / 8 / 2018

23 / 8 / 2018

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Expenses:			
Employee benefits expenses	4	21,465	12,428
Supplies and services	5	8,060	5,127
Service level agreement	6	6,186	15,599
Depreciation and amortisation	7	953	578
Other expenses	8	41	1
Total expenses		36,705	33,733
Income:			
Revenues from fees and charges	9	39,008	34,646
Funding for transition expenses	10	-	1,500
Interest revenues	11	320	274
Other income	12	2	93
Total income		39,330	36,513
Net result		2,625	2,780
Total comprehensive result		2,625	2,780

The above statements should be read in conjunction with the accompanying notes.

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current assets:			
Cash and cash equivalents	13	15,186	12,353
Receivables	14	1,163	1,321
Total current assets		16,349	13,674
Non-Current assets			
Receivables	14	114	-
Property, plant and equipment	15	4,105	3,381
Intangible assets	16	2,114	2,447
Total Non-Current assets		6,333	5,828
Total assets		22,682	19,502
Current liabilities:			
Payables	17	4,240	4,670
Employee benefits	18	2,179	1,316
Other liabilities	19	8	484
Total current liabilities		6,427	6,470
Non-Current liabilities:			
Employee benefits	18	491	331
Other liabilities	19	49	-
Provisions	20	389	-
Total Non-Current liabilities		929	331
Total liabilities		7,356	6,801
Net assets		15,326	12,701
Equity:			
Retained earnings		15,326	12,701
Total equity		15,326	12,701

The above statements should be read in conjunction with the accompanying notes.

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Note	Transition expenses \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2016		918	8,128	9,046
Net result for 2016-17		-	2,780	2,780
Error correction	18	-	875	875
Transfer between equity components		(918)	918	-
Balance at 30 June 2017		-	12,701	12,701
Net result for 2017-18		-	2,625	2,625
Balance at 30 June 2018		-	15,326	15,326

The above statements should be read in conjunction with the accompanying notes.

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities:			
Cash outflows			
Employee benefit payments		(20,688)	(11,603)
Payments for supplies and services		(9,273)	(5,641)
Payments for service level agreement		(5,644)	(15,577)
Cash used in operations		(35,605)	(32,821)
Cash inflows			
Fees and charges		38,444	33,066
Interest received		318	277
Funding for transition expenses		186	1,650
GST recovered from the ATO		943	500
Other receipts		378	696
Cash generated from operations		40,269	36,189
Net cash provided by (used in) operating activities		4,664	3,368
Cash flows from investing activities:			
Cash outflows			
Purchase of property, plant and equipment		(1,746)	(2,369)
Purchases of intangibles		(85)	(353)
Cash used in investing activities		(1,831)	(2,722)
Net increase in cash and cash equivalents		2,833	646
Cash and cash equivalents at 1 July		12,353	11,707
Cash and cash equivalents at 30 June	13	15,186	12,353

The above statements should be read in conjunction with the accompanying notes.

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objective of the Office of the National Rail Safety Regulator

The Office of the National Rail Safety Regulator (ONRSR) is established under the *Rail Safety National Law (South Australia) Act 2012 (the Law)*.

ONRSR has the principal objective of facilitating the safe operation of rail transport across Australia. This is achieved through regulation of the rail industry in accordance with the Law, supporting regulations, guidelines and policies and the promotion of safety as a fundamental objective in the delivery of rail transport services.

ONRSR has responsibility for regulatory oversight of rail safety in every Australian state and territory. In some states this is via a Service Level Agreement (SLA). The SLA with New South Wales (NSW) ceased on 9 March 2017. ONRSR still operates under a SLA with Victoria. Queensland transitioned to the national model on 1 July 2017.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in compliance with section 263 of the *Rail Safety National Law (South Australia) Act 2012* and Regulation 48 of *Rail Safety National Law National Regulations*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements).

ONRSR has applied Australian Accounting Standards that are applicable to not-for-profit entities as ONRSR is a not-for-profit entity.

(b) Basis of preparation

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards have required a change or an error has been identified (refer to note 18).

(d) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

(e) Taxation

ONRSR is not subject to income tax. ONRSR is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

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

(f) Events after the reporting period

There are no events which have occurred after the balance date which require disclosure or an adjustment to the financial statements.

(g) Current and non-current classification

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(h) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating lease commitments arising from contractual sources are disclosed at their nominal value.

3. New and revised accounting standards and policies

ONRSR did not voluntarily change any of its accounting policies during 2017-18. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by ONRSR for the year ended 30 June 2018.

ONRSR has assessed the impact of the new changed Australian Accounting Standards and interpretations not yet implemented. The new AASB 16 Leases standard will apply for the first time from periods commencing 1 January 2019, but ONRSR has not yet quantified the impact on the Statement of Comprehensive Income or Statement of Financial Position. The application date for ONRSR is 1 July 2019.

The standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The new AASB 15 Revenue from Contracts with Customers standard is effective from 31 December 2018. ONRSR has assessed that this standard will not have an impact on the Statement of Comprehensive Income or Statement of Financial Position.

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Expenses

4. Employee benefits expenses

	2018	2017
	\$'000	\$'000
Salaries and wages	16,740	9,182
Long service leave	568	260
Annual leave	1,373	1,327
Employment on-costs - superannuation*	1,677	927
Employment on-costs - other	1,027	683
Workers compensation	80	49
Total employee benefits expenses	21,465	12,428

*The superannuation employment on-cost charge represents ONRSR's contributions to externally managed superannuation plans in respect of current services of current staff.

5. Supplies and services

	2018	2017
	\$'000	\$'000
Travelling expenses	1,415	884
Information Technology	1,656	1,410
Insurance	323	316
Property	1,780	1,239
Legal Costs	216	50
Contractors fees	1,063	390
Consultants	741	248
Other	866	590
Total supplies and services	8,060	5,127

Operating lease payments (included in property) are recognised as an expense on a straight-line basis over the lease term, as it is representative of the pattern of benefits derived from the leased asset.

6. Service level agreement

	2018	2017
	\$'000	\$'000
Payment under Service Level Agreement with New South Wales	-	9,505
Payment under Service Level Agreement with Victoria	6,186	6,094
Total Service Level Agreement	6,186	15,599

The SLA with NSW ceased on 9 March 2017. From 10 March 2017 NSW operations were transferred to ONRSR under a direct delivery model.

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7. Depreciation and amortisation

	2018	2017
	\$'000	\$'000
Fixtures and fittings	68	37
Computer Equipment	219	87
Computer Software	401	399
Leasehold Improvements	265	55
Total depreciation and amortisation	953	578

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Computer equipment	3 - 10
Intangible assets	3 - 10
Leasehold improvements	Life of Lease

Depreciation on Fixtures and fittings is calculated using the diminishing value method.

8. Other expenses

	2018	2017
	\$'000	\$'000
Bad debts and allowances for doubtful debts (refer note 14)	41	1
Total other expenses	41	1

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Income

9. Revenue from fees and charges

	2018	2017
	\$'000	\$'000
Revenue from accreditations	113	87
Revenue from major projects	1,163	-
Revenue from annual fees from industry and government	37,732	34,559
Total revenue from fees and charges	39,008	34,646

Revenues from fees and charges are derived from the annual fees payable by industry and state governments. Revenue is recognised as income when ONRSR obtains the right to receive the income and the income recognition criteria is met.

10. Funding for transition expenses

	2018	2017
	\$'000	\$'000
Capital contribution	-	1,500
Total contribution	-	1,500

11. Interest revenues

	2018	2017
	\$'000	\$'000
Interest received	320	274
Total interest revenues	320	274

Interest is recognised using the effective interest rate method.

12. Other income

	2018	2017
	\$'000	\$'000
Freedom of Information Fees	1	1
Doubtful debts recovered	1	4
Salary Sacrificing Refund	-	11
Defence Reserve Recovery	-	9
Payroll Tax Recovery	-	68
Total other revenue	2	93

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Assets

13. Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank and on hand	15,186	12,353
Total cash and cash equivalents	15,186	12,353

Cash is recognised at its nominal amount.

ONRSR has been granted an overdraft limit facility of \$400,000. This limit has not been used.

14. Receivables

	2018	2017
	\$'000	\$'000
Current		
Account Receivables	141	299
Less allowance for doubtful debts	(41)	(6)
Prepayments	747	521
Accrued interest	9	6
Accrued revenue	12	10
Security deposit	96	96
GST input tax receivable	199	395
Total current receivables	1,163	1,321
Non-current		
Prepayments	114	-
Total non-current receivables	114	-
Total receivables	1,277	1,321

Movement in the allowance for doubtful debts

	2018	2017
	\$'000	\$'000
Carrying amount at the beginning of the period	6	11
Increase in the allowance	41	2
Amounts written off	(5)	(3)
Amounts recovered during the year	(1)	(4)
Carrying amount at the end of the period	41	6

Receivables arise from the collection of fees from industry and state governments. Receivables are generally settled within 30 days after the issue of an invoice.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that ONRSR will not be able to collect the debt. Bad debts are written off when identified.

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15. Property, plant and equipment

	2018 \$'000	2017 \$'000
Leasehold improvements		
At cost	2,464	1,345
Accumulated depreciation	(348)	(82)
Total leasehold improvements	2,116	1,263
Work in progress		
At cost	785	730
Total work in progress	785	730
Total leasehold improvements	2,901	1,993
Fixtures and fittings		
At cost	801	673
Accumulated depreciation	(190)	(122)
Total fixtures and fittings	611	551
Work in progress		
At Cost	-	128
Total work in progress	-	128
Total fixtures and fittings	611	679
Computer equipment		
At cost	1,031	600
Accumulated depreciation	(449)	(230)
Total computer equipment	582	370
Work in progress		
At cost	11	339
Total work in progress	11	339
Total computer equipment	593	709
Total property, plant and equipment	4,105	3,381

Property, plant and equipment are initially identified at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Property, plant and equipment are subsequently measured at cost after allowing for accumulated depreciation and are tested for indications of impairment at each reporting date. Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All property, plant and equipment with a value equal to or in excess of \$5,000 are capitalised.

ONRSR expects for all non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than the carrying value.

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2018.

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16. Intangible assets

	2018 \$'000	2017 \$'000
Computer Software		
Internally developed computer software	2,499	2,499
Accumulated amortisation	(505)	(255)
Other computer software	949	872
Accumulated amortisation	(829)	(679)
Total Computer software	2,114	2,437
Work In Progress (Intangibles):		
At Cost	-	10
Total Work in Progress (Intangibles)	-	10
Total Intangible assets	2,114	2,447

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of, internal development of or externally acquired software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$5,000.

The useful lives of intangible assets are assessed to be either finite or indefinite. ONRSR only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

During the year ONRSR reassessed the useful life of internally developed intangibles resulting in a reduction in the estimated useful life.

Impairment

There were no indications of impairment of intangible assets at 30 June 2018.

Asset movement reconciliation 2018

	Leasehold Improvements \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Intangible assets \$'000	Total \$'000
2018					
Carrying amount at 1 July 2017	1,993	679	709	2,447	5,828
Additions at cost	388	-	92	71	551
Additions work in progress	785	-	11	-	796
Prior year work in progress expensed	-	-	-	(3)	(3)
Depreciation/amortisation	(265)	(68)	(219)	(401)	(953)
Carrying amount at 30 June 2018	2,901	611	593	2,114	6,219

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Liabilities

17. Payables

	2018 \$'000	2017 \$'000
Current		
Creditors	296	2,594
Accrued expenses	3,816	1,796
Employee on-costs*	122	111
Paid Parental Leave Scheme payable	3	-
GST Payable	1	168
FBT Payable	2	1
Total current payables	4,240	4,670

* Employee on-costs include payroll tax, workers compensation levies and superannuation contributions. ONRSR makes contributions to several State Government and Commercial superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to scheme managers.

All payables are measured at their nominal amounts, are unsecured and are normally settled within 30 days from the invoice or date the invoice is first received.

18. Employee benefits

	2018 \$'000	2017 \$'000
Current		
Accrued salaries and wages	353	301
Redundancy payments	247	-
Annual Leave	861	642
Long service leave	718	373
Total current employee benefits	2,179	1,316
Non-Current		
Long service leave	491	331
Total non-current employee benefits	491	331
Total Employee benefits	2,670	1,647

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. The obligations are presented as current liabilities if ONRSR does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

• *Short term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of the employee's service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

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No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

* *Other long-term benefit obligations*

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which employees render the related service is recognised in employee benefits and measured as the present value of the expected future payments to be made in respect of services provided by employees up to the end of the reporting periods using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds.

* *Separation redundancy*

Provision is made for separation redundancy benefit payments. ONRSR recognises a provision for separation when it has developed a detailed plan for the separation and the affected employees have agreed to the separation.

The annual leave liability for ONRSR was over stated as at 30 June 2017. This was due to a measurement error of the actual annual liability accrued at 30 June 2017. The error has been corrected in the comparative information presented in the financial statements.

The financial statements lines affected are as follows:

	2017
	\$'000
Statement of Comprehensive Income	
Employee benefits expenses	(875)
Total comprehensive result	875
Statement of Financial Position	
Employee benefits	(875)
Retained earnings	875

19. Other liabilities

	2018	2017
	\$'000	\$'000
Current		
Lease Incentive	8	-
Unearned revenue	-	484
Total current other liabilities	8	484
Non-Current		
Lease Incentive	49	-
Total non-current other liabilities	49	-
Total other liabilities	57	484

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20. Provisions

	2018	2017
	\$'000	\$'000
Non-Current		
Make good	389	-
Total provisions	389	-

21. Unrecognised contractual commitments

Capital Commitments

There are no Capital Commitments in ONRSR.

Expenditure commitments - Other

	2018	2017
	\$'000	\$'000
Within one year	420	1,042
Later than one year but no longer than five years	616	269
Total other commitments	1,036	1,311

Amounts disclosed include commitments arising from IT maintenance contracts and contractors.

Operating lease commitments

	2018	2017
	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1,519	1,410
Later than one year but no longer than five years	6,482	5,916
Later than five years	4,517	5,325
Total operating lease commitments	12,518	12,651

ONRSR's operating leases are for office accommodation and motor vehicles.

Office leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. Rent is payable one month in advance.

Lease payments are increased annually in accordance with movements in CPI or as per the lease agreement.

Lease Incentives in the form of rent free periods are capitalised as an asset and depreciated over the remaining term of the lease.

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22. Contingent assets and liabilities

The Regulator has commenced a prosecution in accordance with section 220 of the Law in the District Court of New South Wales against an accredited rail transport operator for four alleged breaches of the Law, which had resulted in the fatality of a rail safety worker. If the Regulator is successful, ONRSR will be entitled to one half of any fines imposed as a penalty against the operator, and ONRSR will also be seeking an order for its legal costs. If the Regulator is unsuccessful, costs may be awarded against ONRSR.

The ONRSR is not aware of any other contingent assets or liabilities.

23. Key Management Personnel

Key management personnel of ONRSR include the Regulator, Non Executive members and Executive Directors who have responsibility for the strategic direction and management of ONRSR. Total compensation for the ONRSR's key management personnel was \$1.938 million (2017: \$1.548 million). The total key management personnel included are 8 (2017: 7).

Transactions with Key Management Personnel

There were no transactions with the key management personnel during the reporting period.

24. Related Party Transactions

Related parties of ONRSR include all key management personnel and their close family members. There were no related party transactions during the reporting period.

25. Financial instruments

Categorisation of financial instruments

The carrying amounts of each of the financial instrument categories are detailed below:

	2018	2017
	\$'000	\$'000
<u>Financial assets:</u>		
Cash and Cash equivalents		
Cash and cash equivalents	15,186	12,353
Loans and receivables		
Receivables	217	405
Total financial assets	15,403	12,758
<u>Financial liabilities:</u>		
Financial liabilities - at cost		
Payables	4,060	4,333
Total financial liabilities	4,060	4,333
<u>Net gain or loss on financial assets:</u>		
Cash and Cash equivalents		
Interest revenue	320	274
Net gain (loss) on financial assets	320	274

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Financial assets - Loans and receivables

Financial instruments designated as loans and receivables are trade and other receivables and are measured at amortised cost using the effective interest method less impairment.

Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 14 as trade and other receivables in accordance with paragraph 78 (b) of AASB 101. Prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Financial assets are assessed for impairment at each balance date.

Financial liabilities - at cost

Financial liabilities consist of suppliers and other payable and are carried at cost. Due to their short term nature they are not discounted. Liabilities are recognised to the extent that the goods or services have been received.

Receivable and payable amounts disclosed in this note exclude amounts relating to statutory receivables and payables.