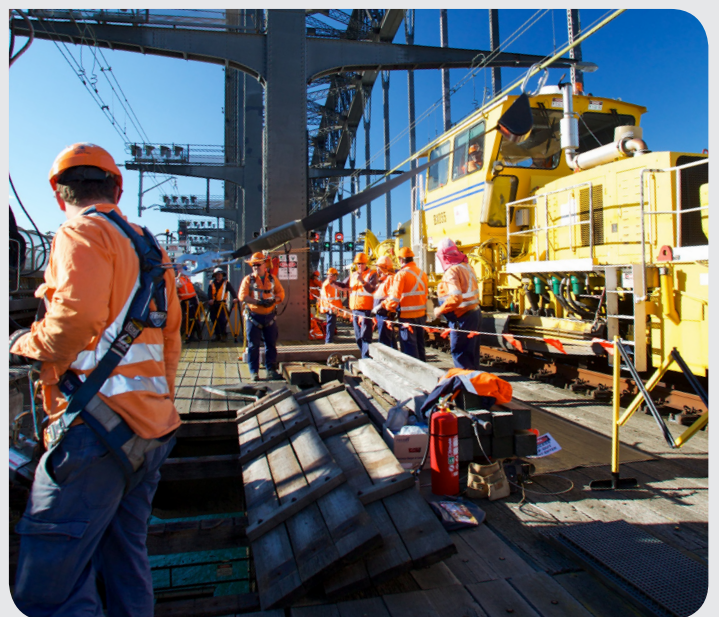
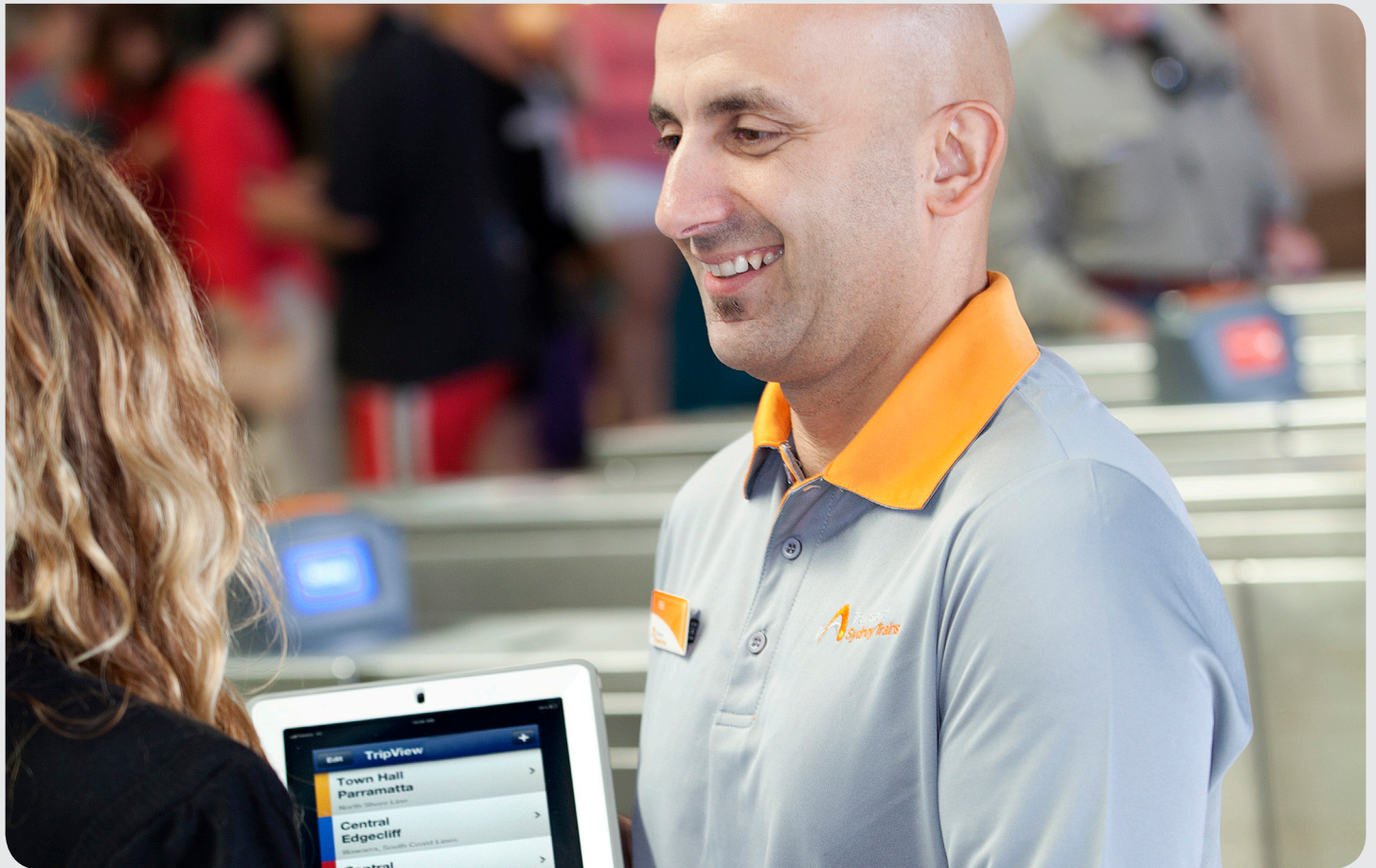


Sydney Trains

2014 Annual Report



Letter of Submission

The Hon. Gladys Berejiklian
Minister for Transport
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister,

It is my pleasure to provide for your information and presentation to Parliament, the *Sydney Trains Annual Report* for the year to 30 June 2014.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Annual Reports (Statutory Bodies) Regulation 2010* and the *Public Finance and Audit Act 1983*.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Howard Collins', with a long horizontal line extending from the end of the signature.

Howard Collins OBE
Chief Executive
Sydney Trains
31 October 2014

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NSW 2021
FIVE KEY STRATEGIES

**REBUILD THE
ECONOMY**

**RETURN QUALITY
SERVICES**

**RENOVATE
INFRASTRUCTURE**

**STRENGTHEN THE LOCAL
ENVIRONMENT AND
COMMUNITIES**

**RESTORE ACCOUNTABILITY
TO GOVERNMENT**

1 Overview

1.1 Chief Executive's Foreword



Welcome to the first annual report for Sydney Trains.

Sydney Trains commenced operations on 1 July 2013, operating and maintaining the metropolitan rail network as well as providing train and infrastructure maintenance for NSW Trains.

It was a significant year for the organisation with the successful introduction of a new timetable, the completion of the Opal smartcard rollout on trains and the introduction of the Waratah trains.

The safety of our customers, staff and the public was at the heart of our approach. Ongoing capital investment in safety systems and investment in our safety leadership training program known as Target Zero yielded encouraging results. Additionally, paramedics were stationed at 14 key stations to assist sick customers and reduce train delays.

Fixing the Trains – progress

The Fixing the Trains program created a new-fit-for-purpose operating model for railways in NSW. Sydney Trains and NSW Trains were established to deliver improved services to customers. Simpler business models for each organisation meant that management could focus on the core functions of customer service, rolling stock and infrastructure maintenance, train operations and corporate support services. Leaner management structures and a new performance framework have also given managers greater accountability for customer service delivery.

Highlights of the year

Customers saw some early improvements with the introduction of the once in a generation timetable change in October 2013, which delivered more than 1000 additional weekly services, 600 extra express services, 20,000 additional seats to the city every weekday morning and reduced journey times.

We successfully introduced the Waratah fleet onto the network, with the program now complete. The new trains provide customers with improved security, safety and accessibility,

leading to an almost 100 per cent air-conditioned fleet. The project represented the largest single procurement of trains in Australian history.

Opal electronic ticketing was also introduced across the entire Sydney Trains' network from 11 April 2014. Opal integrates ticketing across buses, trains, ferries and light rail, and is revolutionising the way customers travel around Sydney. More than 2700 staff members received radio school training to deliver clear, consistent and accurate on board and station announcements. Line-specific Twitter handles and six real-time phone apps were launched to give customers tailored information to plan how and when they travel more effectively. A 27,000-hour cleaning blitz of our trains' interiors enhanced our fleet and has led to a reduction in internal and external graffiti levels on the rail network.

All these efforts have been noticed by our customers. Sydney Trains has seen an increased customer satisfaction rate of 5 percentage points, from 80 per cent in July 2013 to 85 per cent in May 2014.

All this would not have been possible without the dedication and commitment of our staff. I am proud of what Sydney Trains has achieved in its first year and look forward to building on this momentum over the next 12 months. As demand for rail continues to grow, I am confident that we will keep abreast of the increasing popularity of rail travel while greatly enhancing our customers' view of the service.

We will continue to focus on delivering our vision of keeping Sydney moving by delivering safe, customer-focused, reliable and clean rail services. We will work with our colleagues at Transport for New South Wales and in the other transport modes across NSW to support growth and contribute to the broader community and the economy.

A handwritten signature in dark ink, appearing to read 'Howard Collins', with a long horizontal line extending to the right.

Howard Collins OBE
Chief Executive
Sydney Trains

1.2 About Sydney Trains

Sydney Trains commenced operations on 1 July 2013 and is the operator and maintainer of rail services across metropolitan Sydney. Sydney Trains' area of operations covers the metropolitan Sydney area bounded by Berowra, Emu Plains, Macarthur and Waterfall.

In addition, Sydney Trains is responsible for the maintenance of rail assets and operates the network wide Rail Management Centre.

Sydney Trains' vision is to keep Sydney moving by delivering safe, customer-focused, reliable and clean rail services. In addition, during 2013-14, Sydney Trains recorded a five percentage point rise in customer satisfaction and has successfully achieved 94 per cent peak punctuality, exceeding its 92 per cent target.

Sydney Trains aims to contribute to the success of transport in NSW by running effective and efficient rail services that exceed its customers' expectations, support growth and contribute to the broader community and the economy.

Sydney Trains' Aims & Objectives

Sydney Trains aims to deliver safe, customer-focused, reliable and clean rail services.

It has six strategic objectives:

- **Safety** – create and foster an environment that improves safety
- **Customer** – improve customer experience by focusing on its customers, making the network more accessible to all and running the trains on time
- **People** – create an effective and accountable workplace culture
- **Business** – implement efficiencies across Sydney Trains
- **Maintaining our assets** – improve the reliability of the network's assets
- **Environment and community** – attract more customers and develop an environment and sustainability strategy that adds value to the business.

1.3 The Sydney Trains Network



1.4 Strategic Alignment with NSW Government

NSW 2021: A Plan to make NSW number One

NSW 2021 is the NSW Government's 10-year strategic business plan that sets out the priority areas for action and guides resource allocation. Through NSW 2021, the Government has committed to delivering an efficient and effective transport system that brings significant benefits to the community and businesses.

Under NSW 2021, key goals for Sydney Trains are:

Goal 7: Reduce travel times

Goal 8: Grow patronage on public transport by making it a more attractive choice

Goal 9: Improve the customer experience for people using public transport

NSW Long Term Transport Master Plan

The NSW Long Term Transport Master Plan covers all transport modes across the state and sets out a clear direction for transport in NSW, outlining the approach to integrate, grow, modernise and manage the transport system, while putting the customer at the centre. Key areas of focus are to improve operational and network efficiencies along with the completion of a new rapid transit system, a second harbour crossing and further capacity increases.

Sydney's Rail Future is an integral part of this plan as it will deliver a three-tiered system of rail, comprising rapid transit, suburban and intercity services to meet changing customer needs. Sydney's Rail Future aims to achieve operational and network efficiencies and the completion of major new works such as the South West and North West Rail Links. Sydney Trains is working collaboratively in delivering this.

Sydney Trains is committed to the delivery of the NSW Government's transport priorities. Transport for New South Wales is the lead agency within NSW and has the primary responsibility for coordinating transport policy, funding allocations and planning for all modes of transport.

TfNSW's purpose is:

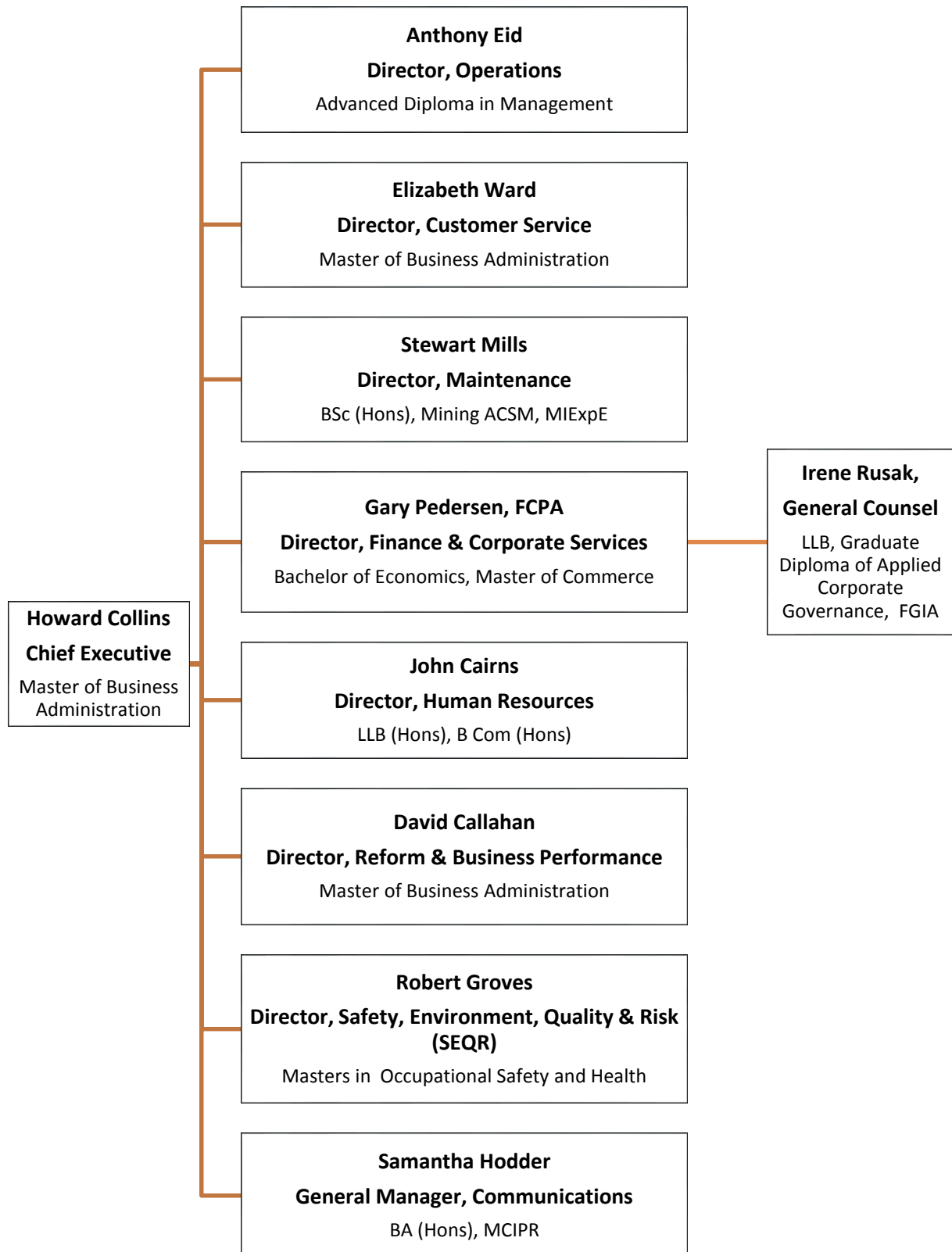
To make New South Wales a better place to live, do business and visit by managing and shaping the future of the whole transport system.

Their objectives include:

- Improve the performance of the NSW economy
- Drive economic growth in regional NSW
- Reduce travel times
- Grow patronage on public transport by making it a more attractive choice
- Improve customer experience with transport services
- Build liveable centres
- Make it easier for people to be involved in their communities
- Restore trust in State and Local Government as service providers
- Increase opportunities for seniors in NSW to fully participate in community life

Sydney Trains' aims and objectives as set out on page 5 align with the NSW Long Term Master Plan by delivering safe, customer-focused, reliable and clean rail services.

1.5 Executive Team



This structure was effective as of 30 June 2014.

1.6 Financial Performance Summary

Sydney Trains commenced operations on 1 July 2013. Various vesting and administrative orders resulted in the transfer of certain assets, rights, liabilities and employees from RailCorp to Sydney Trains. RailCorp continues to be the owner of the rail network, stations, majority of property and certain rolling stock and provides Sydney Trains and NSW Trains with access rights to the assets. Sydney Trains is responsible for construction work required by RailCorp on certain assets and recovers the related costs. Sydney Trains is also responsible for the maintenance of the rail assets. Sydney Trains charges NSW Trains for the maintenance of rolling stock, infrastructure and stations utilised by NSW Trains, and recovers associated costs.

For the 2013-14 year, Sydney Trains received \$1837.8 million in income from operating activities, while total expenses of \$3224.0 million were incurred in operations, depreciation and financing costs. The resulting deficit from operations, before government support, was \$1386.2 million.

Government contributions towards day-to-day operations of Sydney Trains were \$1186.4 million, resulting to an operating deficit of \$199.8 million for the year.

Government and other contributions towards Sydney Trains capital investment program totalled \$28.5 million and after treating this as income for the year, Sydney Trains recorded a deficit from continuing operations of \$171.3 million.

Other comprehensive income for the year, including revaluation of property, plant and equipment, totalled \$389.2 million. The Total Comprehensive Income for the period was therefore a surplus of \$217.9 million.

Cost Recovery

During 2013-14 Sydney Trains recovered \$987.1 million in services revenue from related transport entities: \$579.2 million for operational and maintenance services to related transport entities, \$403.8 million for capital delivery activities as construction revenue and \$4.3 million for assigned staff to other entities.

Total expenses net of these recoveries were \$2236.9 million. Passenger services revenue of \$745.3 million represents cost recovery of 33 per cent of Sydney Trains' total expenses through fares.

Sydney Trains' total expenses were the equivalent of \$6.13 million average per day. Towards this, customer revenue raised \$2.05 million per day, with a further \$0.28 million per day generated by other commercial revenue sources. Government contributions toward the net cost of day-to-day operations were \$3.25 million per day.

Performance against Budget

Income from passenger services in 2013-14 was \$26.2 million better than budget, reflecting stronger patronage growth of 3.3 per cent to 281.2 million journeys, as well as improved revenue yields from fare compliance and revenue protection measures implemented during the year.

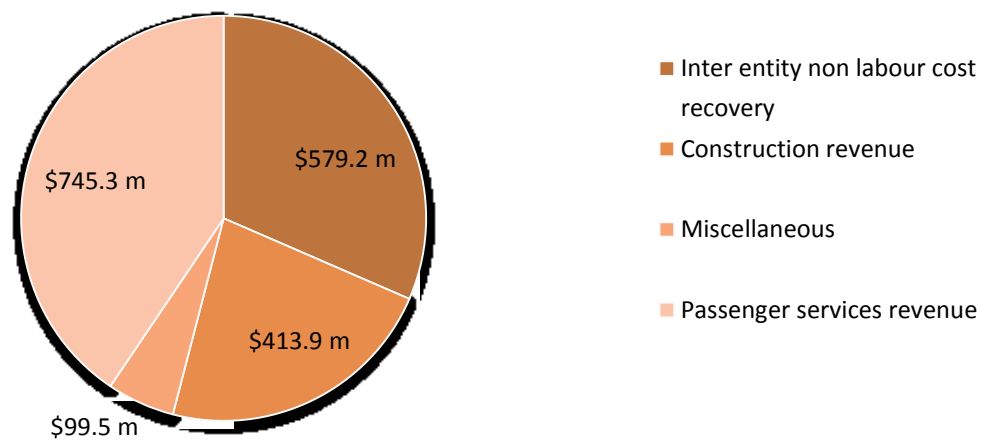
Operating costs were lower than budget by \$12.1 million notwithstanding an additional \$46.2 million in costs above budget for the provision of services to related transport entities during 2013-14.

The operating budget targets for 2014-15 reflect ongoing productivity improvements, while allowing for the continued growth in services.

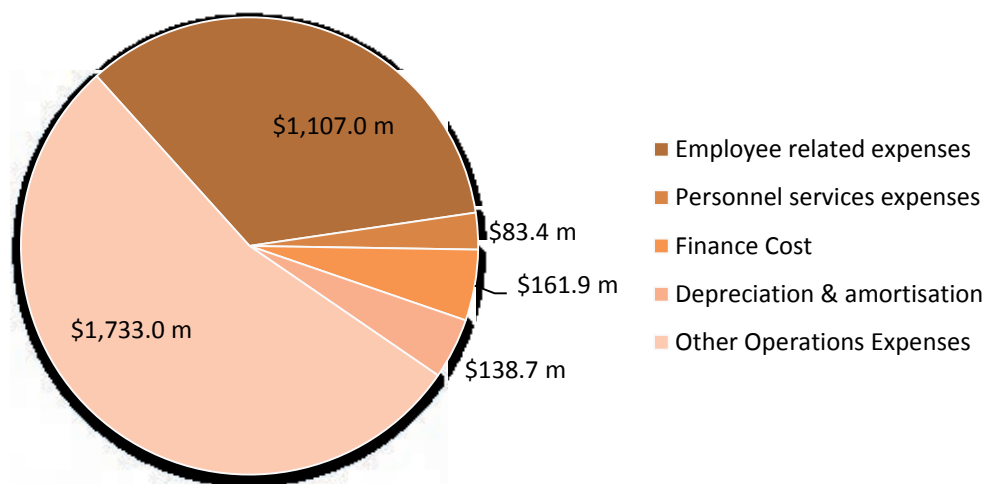
Maintenance Expenditure

Maintenance expenditure by Sydney Trains totalled to \$1118.3 million, which included \$212.5 million of capitalised maintenance for RailCorp. (Total maintenance undertaken includes work performed for NSW Trains fleet, facilities and network infrastructure).

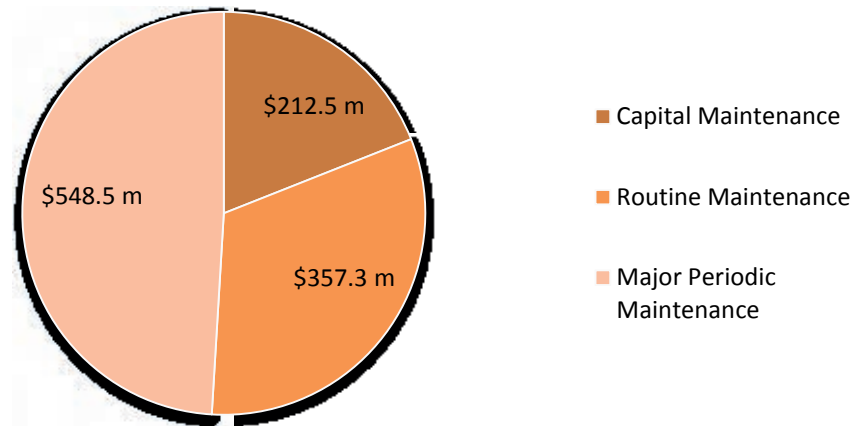
Income from Operating Activities \$1837.8 m



Total Expenses \$3224.0 m



Total Maintenance \$1118.3 m



Sydney Trains financials at a glance

2013 14	\$ million
Passenger services revenue	745.3
Other income	1,092.5
Income from operating activities	1,837.8
Total expenses	3,224.0
Deficit from operations before government contributions	-1,386.2
Government subsidies and concessions	1,186.4
Deficit from operations before capital contribution	-199.8
Government contributions for capital expenditure	28.5
Deficit from continuing operations	-171.3

Cost and revenue per journey

Sydney Trains	2013 14
Total expenses per passenger journey *	\$7.95
Passenger revenue per passenger journey	\$2.65

* Total Expenses excludes the cost of services provided to related transport agencies

Capital Investment

Sydney Trains total capital investment was \$840.9 million including recognition of Waratah rolling stock leased assets of \$779 million. Delivery of the Waratah fleet was completed during 2013-14 with 33 new train sets introduced into service, to a total of 78 Waratah train sets in operation.

Sydney Trains was also engaged in the delivery of capital works for RailCorp assets throughout the year. In this regard, Sydney Trains completed \$445.8 million of works, including \$212.5 million of capitalised maintenance.

2 Performance

2.1 Safety

Strategic Objective: Create and foster an environment that improves safety

Safety of customers, staff and the general public was the utmost priority for Sydney Trains during 2013-14. Sydney Trains introduced a comprehensive Safety Management System to meet and exceed regulatory and statutory requirements.

Customer Safety

Customer safety is associated with Sydney Trains' operational effectiveness and its attention to customer-specific safety measures.

Operationally, Sydney Trains measures safety performance through the Operational Safety Index (OSI), a composite of 12 incident categories that might present significant risk to passengers. The incident categories are:

- High-risk SPAD (Signal Passed At Danger)
- Explosion
- Train exceeding the published speed limit with risk of derailment
- High-risk collision
- High-risk derailment
- High-risk signal defect
- Collision with a motor vehicle at level crossing
- High-risk broken rail
- High-risk track geometry defect
- High-risk track misalignment
- High-risk rolling stock defect
- Accidental passenger fatality

Sydney Trains' annualised OSI performance is presented in the graph opposite, which also shows RailCorp's performance from the previous year, adjusted for Sydney Trains operations.

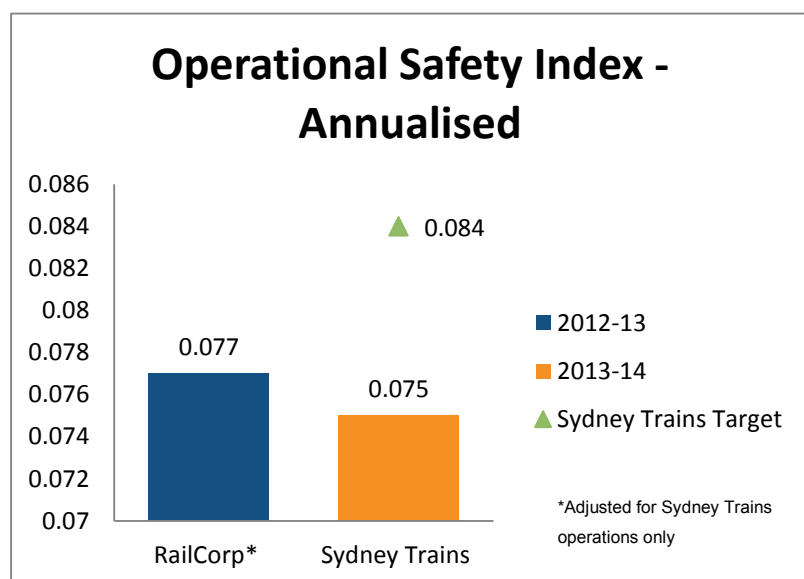
The total number of qualifying incidents for each year have been normalised per million passenger journeys.

The annualised index value for 2013-14 of 0.075 was favourable to the target of 0.084.

Customer-specific safety measures addressed during the year include the customer safety announcement improvement program and the customer safety awareness communications program.

The announcement improvement program delivered timely and appropriate on-board and platform announcements — both recorded and real-time — regarding train door operations, minding the gap and staying behind the yellow line. The awareness communications program focused on key safety messages including platform crowding, taking care of children, managing strollers and raising awareness regarding potential distractions associated with mobile devices and security issues such as unattended bags and suspicious behaviours.

Successful continuation of crowd management strategies at key stations and for special events was one of the main objectives of 2013-14.



Employee Safety

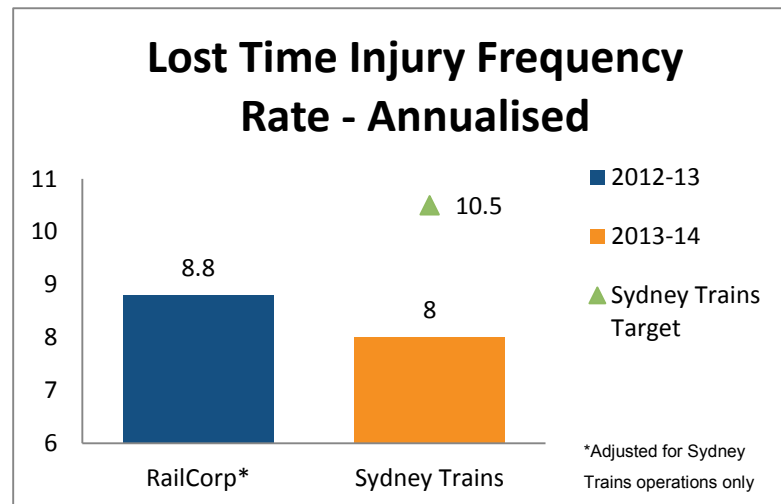
The key performance indicator for employee safety during 2013-14 was the Lost Time Injury Frequency Rate (LTIFR), measuring the number of staff injuries leading to lost working hours, normalised per million hours worked.

Against its target of 10.5 Sydney Trains achieved an end-of-year LTIFR of 8.0, showing strong performance against the target and progressive improvement on the 2012-13 value.

Improvements in the LTIFR performance were the result of a range of initiatives, including:

- The Target Zero program delivered training to over 60 per cent of Sydney Trains staff. The ongoing program aims to create a positive safety culture and a workforce with a shared commitment to safety that extends to the home and community, as well as increasing hazard and near-miss awareness
- During the year, more than 700 managers attended the two-day Target Zero leaders course, and 3126 frontline staff attended the one-day teams course
- Improved hazard identification processes aimed at better staff awareness in order to avoid injuries
- Improved investigation, injury response and management processes to reduce recurrence of safety related incidents.

The improvement in LTIFR performance has led to the adoption of an additional measure in 2014-15 Total Recordable Injury Frequency Rate (TRIFR), which will capture both lost time injuries and injuries requiring medical treatment.



2.2 Customer

Strategic objective: Improve our customers' experience with rail services



Customer Service staff helping our customers at Central Station

The customer satisfaction rating of Sydney Trains has increased by five percentage points from 80 to 85 per cent during 2013-14, with customers acknowledging the progress made in improving their experience. One of the key changes was the successful introduction of the October 2013 timetable, which provided more than 1000 additional services per week.

Our fleet

Sydney Trains has successfully integrated all the Waratah fleet onto the network, with the program now complete. The Tangara fleet continued to be refreshed during 2013-14, with the program due for completion in 2014-15.

Sydney Trains also continued to improve train ambience with external train graffiti levels at historic lows. This required sustained internal and external graffiti removal programs and periodic deep cleans of the entire fleet.

Our stations

Nineteen stations have been improved under the Station Refresh program, providing customers with an improved look and feel, including new furniture, consistent colour schemes, station repairs, gardens and fences, brighter energy efficient lights and cleaner stations. These stations include Asquith, Berala, Blacktown, Bondi Junction, Burwood, Caringbah, Carramar, Chester Hill, Granville, Gymea, Hurstville, Kogarah, Lidcombe, Martin Place, Parramatta, Penrith, Redfern, St Leonards and Strathfield.

Major changes have commenced at Central and Town Hall Stations, while the Circular Quay refresh has been completed, with the installation of lifts at this key station now underway.

Fast Track Platforms have also been introduced at select Central and Town Hall platforms to improve dwell management, making it quicker to move customers on and off trains. Moreover, paramedics were introduced at 14 stations to assist sick customers on trains and stations and help keep trains running on time.

More than 2000 Opal readers were installed with the Opal rollout completed across the entire Sydney Trains network on 11 April 2014. As of 30 June 2014, more than 340,000 Opal cards were issued and customers had already made around 20 million journeys across all suburban and intercity trains, all

Sydney Ferries services and 47 bus routes in the CBD, North Shore and Eastern Suburbs. Opal means no more waiting in a queue to buy a ticket.

Branding

Customers can now easily identify Sydney Trains rolling stock with new logos applied to all the fleet. The introduction of new uniforms for Customer Service and Operations employees has given staff a fresh new feel.

Underground mobile phone coverage

Sydney Trains, in conjunction with mobile carriers, has improved mobile phone coverage for customers across the network.

Improved announcements and customer information

Sydney Trains has continued to deliver the Radio School program with over 2700 frontline staff – including customer service staff and guards – trained in how to make good quality and audible announcements. Further enhancements were made to real-time apps with customers now able to access more real-time information at their fingertips. The introduction of train-line specific Twitter handles has provided customers with targeted information, with more than 10,000 followers.

Revenue Protection

Transport Officers were introduced in May 2013 with 150 Transport Officers patrolling the public transport network, enhancing fare compliance and reducing losses through fare evasion.

Cleaning

During 2013-14, Transport Cleaning Service (TCS) entered into a Cleaning Services agreement with Sydney Trains covering the cleaning of Sydney Trains and NSW Trains rolling stock and some of the stations by TCS.

Since February 2013, TCS has delivered deep cleaning services at key stations including Macquarie Park, North Ryde, Macquarie University, Town Hall, Wynyard, Hornsby, Bondi Junction, Blacktown, Parramatta, Kogarah, Redfern, Milsons Point, Hurstville, Circular Quay, Springwood, Epping, Strathfield and Burwood.

Significant improvements included:

- Toilet cleanliness results increased from 3.99 to 4.47 (+12 per cent improvement)
- Train external graffiti cleaning results increased from 5.98 to 6.62 (+10.6 per cent improvement)
- 98 per cent of carriages processed by the External Graffiti Project were left completely free of graffiti
- The graffiti blitz resulted in an average of 1346 square metres of external train graffiti removed per week
- On trains, the internal graffiti cleaning results increased from 5.19 to 5.64 (+8.7 per cent improvement).

2.3 People

Strategic Objective: Create an effective and accountable culture; drive productivity and efficiency and create change and resilience

The establishment of Sydney Trains as a new entity and embedding a more customer-focused culture saw a number of key activities undertaken within Human Resources.

Establishing Sydney Trains required one of the largest recruitment and induction campaigns in the history of the transport public sector. Key activities within this were:

- Filling over 700 roles leading to more than 4000 job interviews
- Implementing a new 'Welcome Day' induction program for all 10,000 employees introducing Sydney Trains' SPACE (Safety, Pride, Accountability, Collaboration, Excellence) behaviours, a greater focus on customer service and on and empowering people to make the right decisions
- Launching the new Code of Conduct to all employees, incorporating the Sydney Trains' SPACE Behaviours, to further reinforce the organisation's commitment to our new approach.

Performance management programs were refreshed and all employees on contract as well as salaried Enterprise Agreement employees completed annual performance plans. This involved establishing personal performance measures aligned to Sydney Trains' business objectives and SPACE behaviours and having mid-cycle and end-cycle conversations on performance, which built a strong link between individual roles, organisational objectives and embedding of an accountable culture.

Sydney Trains also implemented a number of health and wellbeing programs including Health Fairs, Mental Health Month, Influenza Programs and Executive Health Assessments.

Equality and diversity remained areas of focus with the business working to an overarching multicultural plan to ensure Sydney Trains' operations reflect the multicultural nature of its staff and the community in which it operates. Sydney Trains' staff reflects the city they serve with almost one-third of staff from racial, ethnic or ethno-religious minority groups. During 2013-2014, Sydney Trains participated in numerous multicultural events, including Harmony Day, Diwali festival, International Women's Day celebrations, Eid festival and NAIDOC Week celebrations.

Number of Employees

Categories	Sydney Trains Employees
Train Operations	537
Train Crew	2447
Station Staff	1918
Asset Management – Trades	2341
Asset Management – Engineering	569
Corporate	789
Professional	640
Senior Service¹	406
Other	181
Total²	9828

¹ TfNSW officers operating in Sydney Trains

² Includes casual, apprentice, industrial trainee, permanent full time, permanent part time, temporary full time, temporary part time

2.4 Operational Performance

Strategic Objective: Run our trains on time



From 1 July 2013, Sydney Trains introduced the new punctuality performance measure to monitor the on-time performance of trains. The new measure increases the length of peak hours, and counts services that skip scheduled stops as non-punctual. The performance benchmark is defined as trains which arrive within five minutes of the scheduled arrival time.

The extended peak periods increase the number of services and passenger movements included in this measure, and provide a more transparent measure of our customers' experience.

In addition to the tougher punctuality measure, on 21 October 2013, Sydney Trains successfully implemented a new customer timetable, delivering more than 1000 additional services each week.

Punctuality

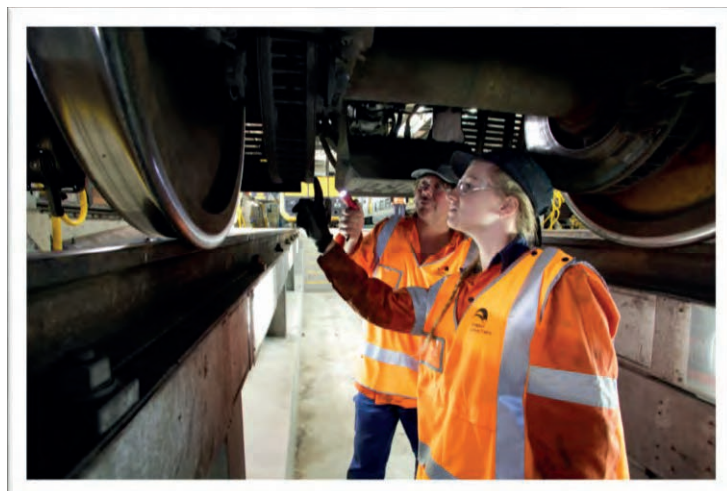
Peak hour services are those that are scheduled to arrive in the Sydney CBD from 6am to 10am and those scheduled to depart the Sydney CBD from 3pm to 7pm from Monday to Friday³. Services that skip stops to reach their destination on time are not counted as being punctual. The final destination for morning peak services is Central Station, while the final destination during the afternoon peak is the last passenger destination for each of these services.

Sydney Trains achieved the punctuality target of 92 per cent with a result of 94.1 per cent.

³ Previously 6am till 9am and 4pm to 6pm for the morning and afternoon peaks respectively.

2.5 Maintaining Our Assets

Strategic Objective: Reform the delivery of rail services and improve the reliability of our assets



Maintenance team at work

Sydney Trains' maintenance programs underpin the safety and integrity of the rail network by boosting reliability and ensuring customers reach their destination safely and on time.

In its first year of operations, Sydney Trains focused on delivering a more proactive and efficient maintenance program. This began by streamlining infrastructure maintenance through consolidating 127 infrastructure depots into eight network bases and four satellite depots. By 30 June 2014, five network bases and two satellite depots had begun operating.

Sydney Trains also successfully completed an extensive major works program consisting of more than 1500 projects valued

at \$500 million, including 78 turnout renewals and major bridge rebuilds at Lidcombe and Riverwood.

Rolling Stock Maintenance programs, including the V-Set (fleet) Refresh program and the Tangara Obsolescence program, also delivered tangible reliability improvements along with service benefits to Sydney Trains' customers and supported the timetable changes that added 1000 further train services each week. The \$36 million V-Set Refresh program delivered 112 refurbished cars for NSW Trains with new carpets, fresh paint, redecorated seating and LED lighting.

One of the major achievements of 2013-14 is the 14 per cent improvement in fleet reliability, with the Mean Distance Between Failure (MDBF) measurement improving from 15,641 km to 17,824 km.

Sydney Trains' Annual Works Program prioritised assets that require immediate repair or replacement. This process delivers efficiencies, cost savings and improved reliability, better trackwork planning minimises the impact on customers by consolidating all works during scheduled line closures.

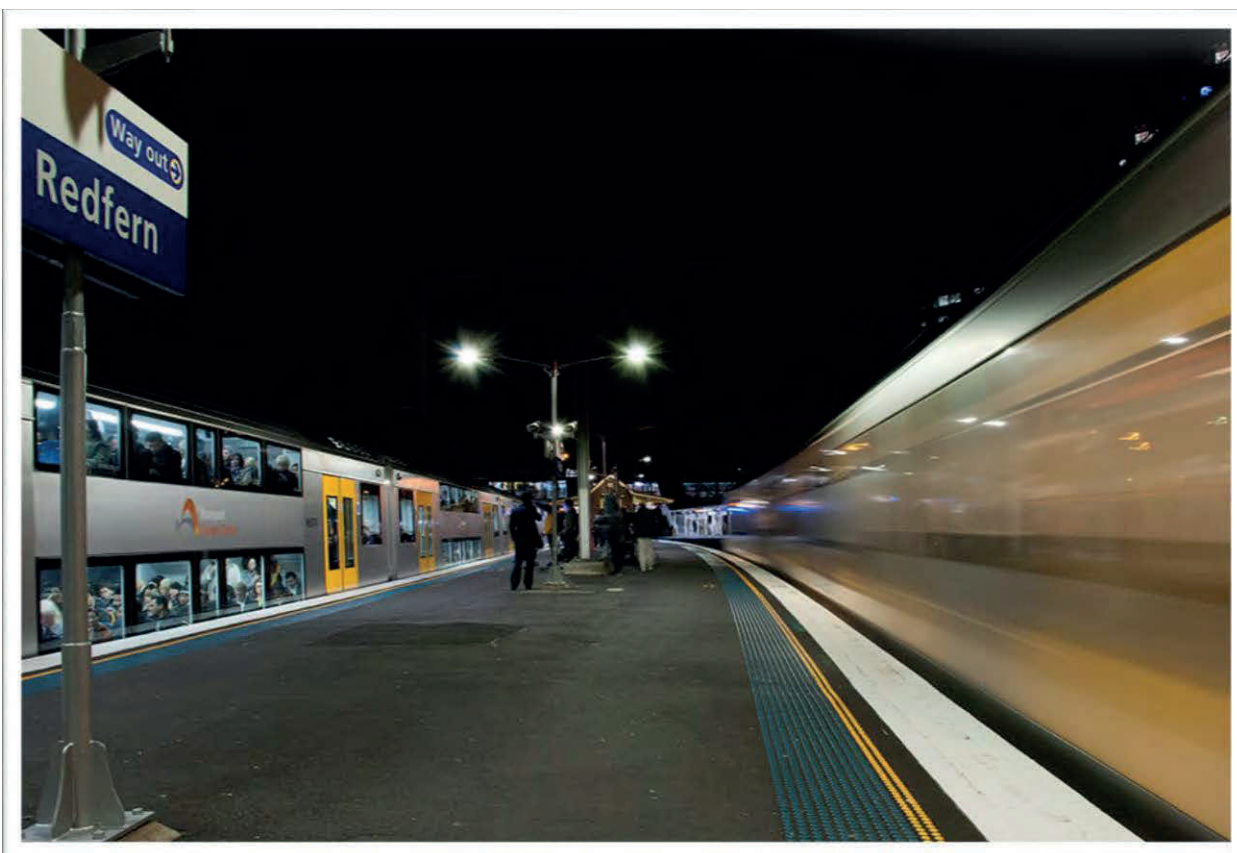
All 78 Waratahs are now operating on the Sydney Trains network, replacing old rolling stock with new, air-conditioned and more reliable trains.

Maintenance Highlights for 2013-14:

- Re-railing: 50.5 km
- Points machines: 80
- Contact wire renewal: 28.74 km
- New sleepers installed: 48,062 km
- Turnouts renewed: 76.5
- Track Circuit Refurbishments/Renewals: 400
- Bridges refurbished: 7
- Track reconditioned: 13.03 km
- Component changeout (electric fleet): 167 cars
- Fleet presentation work: 165 cars
- Overhead wire rebuilds: 16.72 km
- Track reconstruction: 19.83 km
- Lift car renewals: 5
- Ballast cleaning: 25.1 km
- Embankments and Cuttings: 44

2.6 Environment

Strategic Objective: Attract more customers and develop an environment and sustainability strategy that adds value to the business



Redfern Station after LED lighting installation

During 2013-14, Sydney Trains' commitment to enhancing the environmental sustainability of the rail network resulted in a number of initiatives.

Energy efficiency improvements

Sydney Trains is continually looking for innovative ways to minimise its energy and resource usage to improve energy efficiency and reduce our environmental impacts. Some of the measures undertaken include:

- Installing energy efficient LED lighting as part of our Station Refresh Program saved up to 2GWh of electricity and 1700 tonnes of Carbon Dioxide emissions during 2013-14
- Changing lighting operation practices in the City Circle underground tunnel saved over 150MWh of energy in 2013-14
- Installing Waratah trains with regenerative braking capability where the traction motors act as generators when braking to save electricity
- Working with our asset delivery partners at TfNSW's Projects Division to ensure energy efficiency is considered when designing and building new rail assets
- Collaborating with NSW Trains to purchase a portion of renewable energy for a part of our combined electricity demand
- Continuing installation of light sensors at major office buildings and encouraging staff to conserve energy
- Investigating the use of localised photovoltaic (PV) systems on key assets, - key integrated feature of the South West Rail Link station designs. Sydney Trains intends to use these examples as a benchmark for innovation and performance within our own network. This

includes working with our asset delivery partners at TfNSW's Project division to assess the life-cycle costs and feasibility for incorporating PV systems on new rail assets

Sydney Trains Biodiversity

Sydney Trains is responsible for the implementation of management plans for threatened species like the Green and Gold Bell Frog (*Litoria aurea*) and ecological communities like the Cumberland Plain.

During 2013-14 Sydney Trains implemented a new system for recording and identifying environmentally sensitive sites, facilitating improved management and minimising potential disturbances to environmentally sensitive sites, including those that provide habitats for threatened species.

Sydney Trains also commenced a bush regeneration program to improve the condition of native vegetation around the metropolitan network, including areas of remnant vegetation on the Cumberland Plain.

Noise

Noise is a key environmental focus area and in 2013-14, Sydney Trains continued to use its in-house expertise to monitor and address noise concerns and develop strategies to reduce the noise impact of the railway over time. During 2014-15 we will be working on the development of a new network-wide rail lubrication strategy to improve the reliability and application of track lubricants on our network. This will improve the lifespan of our infrastructure and rolling stock, while providing environmental benefits by reducing noise emissions to the community around tight curves and the move towards the usage of biodegradable lubricants.

Training

Sydney Trains is in the process of developing dedicated environmental training programs to provide targeted guidance to core staff across the business.

2.7 Community Relations

During 2013-14, Sydney Trains undertook a number of initiatives to enhance its relationship with the community. Highlights included:

- Adoption and implementation of TfNSW's Multicultural Policies and Services Plan (see appendix 12)
- Working closely with disability groups to identify barriers to accessibility and solutions to address them
- Showcasing Harmony Day on stations with a mix of performances from staff, schoolchildren and community groups
- Supporting the Special Children's Christmas Party, which included a steam train transporting sick and disadvantaged children from Central Station to a Christmas party at Rosehill Racecourse
- Supporting emergency fundraising appeals following the bushfires in the Blue Mountains and typhoon Haiyan in the Philippines
- Allowing charities to access stations for their fundraising activities
- Presenting at local community meetings to explain Sydney Trains' role as the operator of rail services across Sydney
- Hosting official visiting delegations from international cities, such as Dubai, Bangkok and Tokyo. These visits help enhance Sydney Trains' relationships with transport operators internationally
- Participating in national Rail Safety Week organised by the TrackSafe Foundation
- Delivering interactive and engaging workshops for children, young adults and new migrants, which included taking part in Orientation Week at the University of NSW.

Sydney Trains aims to further develop its community relations activity in 2014-15 with the launch of a stakeholder newsletter and more direct community engagement.

2.8 Rail Heritage

Sydney Trains is responsible for managing one of the largest portfolios of statutory-listed heritage assets in NSW, including historic railway stations, bridges, workshops, signal boxes and significant railway landscapes.

Non-operating network railway heritage assets assigned to volunteer based organisations were handled by TfNSW, until the establishment of a non-profit entity, Transport Heritage NSW (THNSW), which then took over the management of Trainworks (Rail Heritage Centre). The associated not-for-profit RailCorp subsidiary (Trainworks Limited) ceased to operate by the end of June 2014.

The Heritage Stakeholder Committee was established to oversee the development and delivery of a Heritage Asset Management Strategy (HAMS), in accordance with the *NSW Heritage Act*.

A number of initiatives have been achieved across the organisation over the last year, consistent with Sydney Trains' strategic approach to improving heritage management, achieving conservation outcomes in project delivery and sharing our history with the customer.

Key achievements and initiatives this year include:

- Major upgrade of the agency S170 Heritage and Conservation Register to improve functionality and wider accessibility to the public. This upgrade included migration of heritage data to the NSW Heritage Division web-app database and alignment of heritage data into organisational GIS and environmental sites systems
- Six new locations approved by the Minister for Heritage for listing on the NSW State Heritage Register, including Bulli Railway Station and Nepean River Railway Bridge. These new listings will provide increased protection for some of the state's most important railway heritage assets
- Implementation of the Agency-Specific Rail Exemptions gazetted by the Minister for Heritage in May 2013. These exemptions allow the delegated self-approval of certain minor works to heritage-listed items on the State Heritage Register. The first year of applying these exemptions by internal Heritage Specialists has reduced external heritage approvals by 63 per cent and streamlined delivery of key heritage projects across the network
- Completion of heritage conservation strategies for management of heritage-listed Overhead Booking Offices and Railway Residences. Such strategies will inform long term Government management of these heritage asset classes
- Continued engagement and relationship building with the Heritage Council and Heritage Division through regular face-to-face meetings and informal updates to progress HAMS initiatives. The Heritage Council and Heritage Division is Sydney Trains' key external heritage stakeholder
- Finalisation of the Heritage Impact Assessment Procedure to assist Sydney Trains' project and environment staff identify, assess and manage heritage items appropriately during the delivery of Sydney Trains' activities. The Heritage Impact Assessment Procedure is an Environment Management System (EMS) document
- Installation of a free public heritage exhibition at Central Station as part of National Heritage Week in April 2014. The exhibition was titled 'Go By Train' and included a display of historic posters and advertising from the NSW railways, highlighting a long history of journeys by train across the state
- Completion of a short video as part of an oral history project of the decommissioning of the Electronic Train Staff (ETS) system. This historic signalling system on the South Coast line was the last of its type on the passenger network and had provided 123 years of faithful service. The video captured the final days of the ETS included interviews with staff who had worked with the system
- Project and technical support by internal Heritage Specialists for works to heritage assets such as the Station Improvement Program. Heritage restoration works at Central Station Grand Concourse include sandstone and clock cleaning and repairs, and the design and installation of historically appropriate pendant lighting.

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Statement by the Chief Executive

In relation to the Financial Statements for the period ended 30 June 2014

Pursuant to section 41C (1B) of the *Public Finance and Audit Act 1983* and clause 7 of the Public Finance and Audit Regulation 2010, I declare that:

- (a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of Sydney Trains as at 30 June 2014 and of its financial performance for the period ended 30 June 2014.
- (b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, the Australian Accounting Standards, which includes Australian Accounting Interpretations, and Treasurer's directions.
- (c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Stewart Mills
Acting Chief Executive

18 September 2014

(Start of audited financial statements)

Statement of Comprehensive Income for the period ended 30 June 2014

	Note	2013-14 \$'000
Income		
Passenger services revenue		745,250
Non passenger revenue	3.1	1,089,998
Interest		2,579
Income from operating activities		1,837,827
Expenses		
Operating expenses		
- Employee benefit expenses and other payroll costs	4.1	1,106,990
- Personnel service expenses	4.3	83,425
- Other operating expenses	4.4	1,733,007
Depreciation and amortisation	8.2, 9.2	138,702
Finance costs	4.6	161,896
Total expenses		3,224,020
Deficit from operations before Government contributions		(1,386,193)
Government subsidies and contributions	3.2	1,186,174
Other Government operating subsidies		208
Deficit from operations before Capital contributions		(199,811)
Contributions for capital expenditure		28,500
Deficit for the period from continuing operations		(171,311)
Other Comprehensive Income		
<i>Items that may be reclassified to surplus/deficit</i>		
Net gain/(loss) in forward foreign exchange	15	(3,169)
Net gain/(loss) in commodity swaps	15	1,130
<i>Items that will not be reclassified to surplus/deficit</i>		
Revaluation of property, plant and equipment	15	426,526
Superannuation actuarial gains/(losses) on defined benefit schemes	16	(35,299)
Other Comprehensive Income for the period		389,188
Total Comprehensive Income for the period		217,877

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2014

	Note	30.6.2014 \$'000
Current assets		
Cash and cash equivalents	5.1	60,705
Trade and other receivables	6.1	311,309
Inventories	7	27,974
Derivative financial instruments	20.1	468
Total current assets		400,456
Non-current assets		
Inventories	7	33,580
Property, plant and equipment	8	3,260,044
Intangible assets	9	205,030
Derivative financial instruments	20.1	159
Total non-current assets		3,498,813
Total assets		3,899,269
Current liabilities		
Trade & other payables	11	461,692
Finance lease liabilities	12	114,274
Inter entity advance	10	198,000
Provisions	13	368,110
Derivative financial instruments	20.1	1,049
Total current liabilities		1,143,125
Non-current liabilities		
Finance lease liabilities	12	1,949,004
Provisions	13	272,888
Derivative financial instruments	20.1	53
Total non-current liabilities		2,221,945
Total liabilities		3,365,070
Net assets		534,199
Equity		
Contributed equity	14.1	314,759
Reserves	15	426,050
Retained earnings	16	(206,610)
Total equity		534,199

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the period ended 30 June 2014

Parent	Note	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation \$'000	Other reserves \$'000	Total \$'000
Balance at 7 December 2012		-	-	-	-	-
Surplus/(Deficit) for the period		-	(171,311)	-	-	(171,311)
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange	15	-	-	-	(3,169)	(3,169)
Net gain/(loss) in commodity swap	15	-	-	-	1,130	1,130
Increase/(decrease) in asset revaluation reserve	15	-	-	426,526	-	426,526
Superannuation actuarial gains/(losses) on defined benefit schemes	16	-	(35,299)	-	-	(35,299)
Total Other Comprehensive Income for the year		-	(35,299)	426,526	(2,039)	389,188
Increase/ (decrease) in net assets from equity transfers (contribution by owners)	14.2	314,759	-	-	1,563	316,322
Balance as at 30 June 2014		314,759	(206,610)	426,526	(476)	534,199

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the period ended 30 June 2014

	Note	2013-14 \$'000
Cash flows from operating activities		
<i>Cash received</i>		
Passenger services		743,955
Other receipts from customers and others		1,032,104
Government subsidies and concessions		1,186,174
Other Government operating subsidies		208
Interest received		2,579
Total cash received		2,965,020
<i>Cash used</i>		
Payments to suppliers, employees and others		(2,921,060)
Interest paid		(161,896)
Total cash used		(3,082,956)
Net cash from/(used in) operating activities	5.2	(117,936)
Cash flow from investing activities		
<i>Cash received</i>		
Capital grants		28,500
Total cash received		28,500
<i>Cash used</i>		
Property, plant and equipment and intangible assets acquisitions		(61,246)
Total cash used		(61,246)
Net cash from/(used by) investing activities		(32,746)
Cash flows from financing activities		
<i>Cash received</i>		
Proceeds from inter entity advance		198,000
Total cash received		198,000
<i>Cash used</i>		
Repayment of finance lease		(62,970)
Total cash used		(62,970)
Net cash from/(used in) financing activities		135,030
Net (decrease)/increase in cash and cash equivalents		(15,652)
Cash and cash equivalents at beginning of period		-
Cash transferred in from Rail Corporation of NSW	14.2	76,357
Cash and cash equivalents at end of period	5.1	60,705

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the period ended 30 June 2014

Note 1 Reporting entity and financial statements

(a) Reporting entity

Sydney Trains is a Statutory Authority constituted under the *Transport Administration Act 1988* and is a scheduled entity under the *Public Finance and Audit Act 1983*. It is domiciled in Australia and its principal office is at 477 Pitt Street Sydney, NSW 2000. Its objective is the delivery of safe and reliable rail, passenger services in an efficient, effective and financially responsible manner. Sydney Trains is accredited under the Rail Safety National Law (NSW) as a rail transport operator.

Sydney Trains was established on 7 December 2012 as a public subsidiary corporation of Rail Corporation New South Wales (RailCorp) under the Transport Administration (General) Amendment (Sydney Trains and NSW Trains) Regulation 2012 and subsequently became a statutory body on 17 May 2013 under the Public Finance and Audit Amendment (Sydney Trains and NSW Trains) Proclamation 2013.

From 1 July 2013, various vesting and administrative orders resulted in the transfer of certain assets, rights, liabilities and employees from RailCorp to Sydney Trains. Sydney Trains operates services within the area bounded by Berowra, Emu Plains, Macarthur and Waterfall which is also used by passengers travelling on NSW Trains services. Sydney Trains is responsible for the maintenance of the rail assets. Sydney Trains has a contract with NSW Trains to maintain rolling stock, infrastructure and stations utilised by NSW Trains.

Sydney Trains is a controlled entity of Transport for New South Wales (TfNSW) and TfNSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector accounts.

On 14 May 2013, Sydney Trains obtained approval from The Treasury for extension of its first financial year to cover the period 7 December 2012 to 30 June 2014 given that Sydney Trains did not commence operations until 1 July 2013. All transactions occurred from 1 July 2013.

Sydney Trains' first financial year covers the period 7 December 2012 to 30 June 2014.

(b) Comparative information

Comparative information has not been included in the Financial Statements as this is the first financial year for Sydney Trains.

(c) Authorisation of the Financial Statements

The Financial Statements were authorised for issue by the Chief Executive on the date on which the accompanying Statement by the Chief Executive was signed.

(d) Statement of compliance

The Financial Statements and notes comply with Australian Accounting Standards which includes Australian Accounting Interpretations.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

The Financial Statements are general purpose Financial Statements prepared in accordance with Australian Accounting Standards, which includes Australian Accounting Interpretations, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations. However, property, plant and equipment and derivative financial assets and liabilities are measured at fair value. Refer Notes 2.3(ii) and 2.13(ii)

The accrual basis of accounting has been adopted in the preparation of the Financial Statements, except for cash flow information.

Sydney Trains is a not-for-profit entity for accounting purposes.

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

Inter entity in the financial statements refers to transactions between Sydney Trains and transport entities RailCorp, NSW Trains, Transport Cleaning Services, TfNSW, State Transit Authority and Roads & Maritime Services.

2.1.1 Going concern

The Financial Statements have been prepared on a going concern basis which assumes that Sydney Trains 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 their operations. Sydney Trains' continued operation and ability to pay its debts are satisfied by annual grants by the Government and access to borrowing facilities to support Sydney Trains' operations. The NSW Government funds the majority of the cost of operation of the rail network.

2.1.2 Change in accounting policy

There is no change to accounting policies from the prior year as Sydney Trains commenced operations in the current period.

2.2 Adoption of new and revised Accounting Standards

The Financial Statements have adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to Sydney Trains effective for the annual reporting periods ending on 30 June 2014. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to Sydney Trains accounting policies.

Sydney Trains has received an exemption from the Treasurer to early adopt Accounting Standards and Interpretations effective for annual reporting periods commencing on or after 1 January 2013 given that the financial year of Sydney Trains commenced on 7 December 2012. Sydney Trains has early adopted the standards to give a true and fair view of its financial results and to enhance existing disclosures relating to fair value measurements, defined benefit plan obligations and employee entitlements.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised Accounting Standards (continued)

The following new Accounting Standards and Interpretations have not yet been adopted and are not effective as at 30 June 2014. The standards are effective for annual reporting periods commencing on or after 1 January 2014.

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 9	Financial Instruments	Sept 2012	1 Jan 2017
AASB 10 (NFP)	Consolidated Financial Statements (for not for profit entities)	Dec 2012	1 Jan 2014
AASB 11 (NFP)	Joint Arrangements (for not for profit entities)	Dec 2012	1 Jan 2014
AASB 12 (NFP)	Disclosure of Interests in Other Entities (for not for profit entities)	Dec 2012	1 Jan 2014
AASB 1031	Materiality	Dec 2013	1 Jan 2014
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2010)	Sep 2012	1 Jan 2015
AASB 2011-7 (NFP)	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	Dec 2012	1 Jan 2014
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	Jun 2012	1 Jan 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non- Financial Assets	Jun 2013	1 Jan 2014
AASB 2013-4	Amendment to Australian Accounting Standards- Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	Jul 2013	1 Jan 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities	Aug 2013	1 Jan 2014
AASB 2013-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities- Control and Structured Entities	Oct 2013	1 Jan 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part B Materiality- 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Dec 2013	1 Jan 2014 / 1 Jan 2015
AASB 2014-1	Amendments to Australian Accounting Standards	Jun 2014	1 Jul 2014 / 1 Jan 2015/ 1 Jan 2016

The impact of these standards and interpretations on the Financial Statements is not expected to be significant.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.3 Financial instruments

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability (or equity instrument) of another entity. They include cash and cash equivalents, receivables, payables, inter entity advances and derivatives (forward foreign exchange contracts, and commodity swap contracts).

(i) Recognition

A financial asset or financial liability is recognised when Sydney Trains becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the associated cash flows expire, are effectively transferred, or are otherwise lost. Financial liabilities are derecognised when the contractual obligation is discharged, is cancelled, or expires.

Any applicable amortisation, impairment loss (or reversal), or fair value adjustment is recognised in the Statement of Comprehensive Income.

On derecognition, any difference between the items carrying amount and the consideration received or paid is recognised in the Statement of Comprehensive Income.

(ii) Measurement

On initial recognition, a financial asset or financial liability is measured at its fair value (which is usually its cost) plus any directly-attributable transaction costs.

After initial recognition, receivables and payables are carried in the Statement of Financial Position at amortised cost, which is a reasonable approximation of their fair value. Derivatives are carried at fair value.

The fair value of derivatives are determined at year end as the quoted offer price or the risk-adjusted market price of the instrument. It represents current market value.

(iii) Hedging

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

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

Forward foreign exchange contracts and commodity swap contracts are used to hedge against commodity price risk on forecast purchases of distillate. The contracts effectively entail a right to buy a specified quantity of distillate at a fixed price on a future date, which is offset by an obligation to sell a similar quantity at its prevailing monthly average market price at that time.

Sydney Trains policy for electricity hedging is similar to distillate operations. Electricity hedging applies only to periods not under a fixed price contract. Hedges are subsequently closed out once a fixed price contract is in place.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

(iv) Hedge accounting

Cash flow hedge accounting is adopted for all hedging relationships involving forward foreign exchange contracts and commodity swap contracts. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is initially recognised directly in the Hedging Reserve. When the cash flow in relation to the hedged item eventually occurs, the gain or loss is transferred from the Reserve to property, plant and equipment (in the case of equipment purchases) or to inventories (in the case of distillate purchases) where it is included in the cost of the hedged item. If the hedge is ineffective the portion of the gain or loss on the ineffective portion of the hedging instrument is recognised immediately in the Statement of Comprehensive Income.

Hedge accounting is used on all Sydney Trains exposures. The hedging relationship is formally designated and documented at the inception of the hedge; the hedge is expected to be highly effective; the effectiveness is measurable, assessed on a quarterly basis and is actually achieved; and the hedged forecast transaction remains highly probable.

Hedge accounting is discontinued when the hedging instrument expires, is sold, is terminated, is exercised, no longer meets the hedge accounting criteria, has its designation revoked, or if the hedged forecast transaction is no longer expected to occur. Generally, any associated cumulative gain or loss in the Hedging Reserve is only transferred out when the hedged cash flow eventually occurs. However, if the hedged transaction is no longer expected to occur, the gain or loss is immediately transferred to the Statement of Comprehensive Income.

Refer Note 20.

2.4 Offsetting financial assets and liabilities

Sydney Trains does not offset its financial assets and liabilities and have no offsetting arrangements in place.

2.5 Taxes

(i) Income tax equivalents

Sydney Trains is exempt from the National Tax Equivalent Regime (NTER) and the Tax Equivalent Regime (TER) and is not required to pay income tax.

(ii) Goods and Services Tax

Revenues, expenses and assets are generally recognised net of the amount of Goods and Services Tax (GST). However, receivables and payables are stated with the amount of GST included, and GST that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the relevant asset or expense.

The net amount of GST recoverable from (or payable to) the ATO is recognised 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 any cash flow arising from investing activities that is recoverable from (or payable to) the ATO is classified as an operating cash flow.

(iii) State taxes

Sydney Trains being a statutory authority representing the Crown means that it is exempt from land tax.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.6 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependant on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Details of PPP finance leasing arrangements

An agreement is in place for a Rolling stock Public Private Partnership (PPP), which incorporates finance leases, whereby Reliance Rail will:

- Design, manufacture and commission a total of 626 carriages, together with simulators for training;
- Design, manufacture and commission a maintenance facility on Sydney Trains land at Auburn. The land is leased to Reliance Rail for nil consideration over the term of the contract;
- Make a certain number of 8 car train sets available for Sydney Trains' use over the term of the contract (the term continues for 30 years after the delivery of the tenth last set, i.e. until about 2044);
- Provide a maintenance facility for the sets over the term of the contract;
- Decommission any sets which Sydney Trains does not wish to acquire at the end of the contract;
- Handover the maintenance facility at the end of the contract.

In accordance with the PPP contract Sydney Trains is required to make certain milestone payments. These are treated as interest free advances pending satisfactory completion of the construction of carriages together with the simulators and maintenance facility.

(ii) Accounting treatment – operating leases

Lease rentals under an operating lease are recognised as income (or expense) on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Initial direct costs incurred, as lessor, in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

An asset leased to a lessee is presented in the Statement of Financial Position according to the nature of the asset and is subject to the depreciation policy for similar but non-leased assets.

(iii) Accounting treatment – finance leases

As lessee

Finance leases, which transfer to Sydney Trains substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are capitalised in accordance with the accounting policy on borrowing costs.

Finance leased assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that Sydney Trains will obtain ownership by the end of the lease term. Where there is reasonable certainty that Sydney Trains will obtain ownership of the asset after the lease term the asset is depreciated over its estimated useful life.

Refer Note 17.3.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

(iv) Arrangements in the form but not the substance of a lease

An arrangement comprising a series of transactions involving the legal form, but not the economic substance, of a lease is accounted for as one linked transaction rather than as a lease. Any fee resulting from the arrangement is recognised as income in the year it is received.

Refer Note 2.8

2.7 Foreign currency translation

A foreign currency transaction is recognised and initially translated into Australian currency using the market rate at the date of the transaction. Outstanding transactions at any subsequent reporting date are translated at the market rate at that date.

Exchange differences on monetary items that qualify as hedging instruments in a cash flow hedge are recognised initially in equity to the extent that the hedge is effective. Exchange differences on other monetary items are recognised as income or expense.

2.8 Income

Income is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Income is only recognised if its receipt is probable and the amount is reliably measurable. The accounting policies for the recognition of income are discussed below:

Passenger revenue

Proceeds received from the sale of tickets are reported as passenger services revenue. Passenger services revenue is initially recognised based on ticket sales. Revenue received prior to passenger travel, and the pro-rata unearned portion of periodic tickets, is assessed annually and treated as deferred revenue.

Fines and penalties

Fines and penalties are collected by the State Debt Recovery Office on behalf of Sydney Trains and are recognised by way of an estimate of the amount expected to be collected.

Rendering of services

Revenue from the rendering of a service is recognised by reference to the stage of completion of the transaction, provided that the transaction's outcome, stage of completion, and the past and prospective costs are all reliably measurable. Otherwise such revenue is only recognised to the extent of the associated recognised recoverable expenses.

The stage of completion of a construction contract is determined by comparing the cost incurred to date with the estimated total cost of the contract.

Government contributions

Contributions are received from the NSW Government towards the cost of providing certain agreed services, concessions and capital expenditure. The passenger revenue covers only a part of operating expenses and the shortfall is met by those contributions by the NSW Government for subsidies and concessions (refer Statement of Comprehensive Income).

Contributions are recognised when control of the cash or other asset (or the right to receive it) is obtained.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.8 Income (continued)

Government contributions (continued)

The presentation of the Statement of Comprehensive Income includes subtotals for the result from operations before Government Contributions and the result from operations before capital contributions. That presentation has been adopted as it is a more informative representation of the operating result with reference to Sydney Trains' sources of funding.

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method, which uses a rate that exactly discounts a financial instrument's expected future cash receipts through the expected life of the financial instrument (or shorter period) to the net carrying amount of the instrument.

Leases

Operating lease income is recognised on a straight-line basis over the lease term. Fees received under an arrangement that is in the legal form of a lease but that is not, in substance, a lease under AASB 117 *Leases*, are recognised as revenue over the term of the lease.

Sale of assets and goods

Revenue from the sale of assets or other goods is recognised when control and the significant risks and rewards of ownership have passed to the buyer and the past and prospective transaction costs are reliably measurable.

Inter entity non labour cost recovery

Inter entity non labour cost recoveries are reimbursements from transport entities for costs incurred by Sydney Trains in providing services to the transport cluster. Revenue is recognised when the associated costs are incurred and recoverable.

Refer Note 3.1

2.9 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand, at call deposits, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Refer Note 5.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.10 Trade and other receivables

Trade receivables are measured initially at fair value and subsequently at invoiced cost less an allowance for impairment, which is not materially different from amortised cost due to their short-term nature. A trade receivable is usually due for settlement within 30 days of invoicing. Collectability of trade receivables is reviewed on an ongoing basis.

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual rights to future cash inflows from it expire or are transferred.

An expected reimbursement of expenditure required to settle an allowance for impairment is only recognised as a receivable when it is virtually certain that the reimbursement will be received. Such reimbursement is treated separately from the related allowance and its amount does not exceed the amount of that allowance for impairment.

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for impairment and the resulting loss is recognised in the Statement of Comprehensive Income. Receivables are monitored during the year and bad debts are written off against the allowance when those are determined to be irrecoverable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that trade receivables are impaired.

Refer Note 6.

2.11 Inventories

Inventories comprise materials and supplies to be consumed in operations and construction works in progress for customers. Inventories held for distribution are measured at cost adjusted for any loss of service potential. Inventories held for sale are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing them to their present location and condition. This includes material, labour and attributable fixed and variable overhead costs.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned by using specific identification of their individual costs. The cost of remaining inventories is assigned by using the weighted average cost formula. Cost formulae are applied consistently to all inventories having a similar nature and use to the entity.

The carrying amount of inventories sold is recognised as an expense when the related revenue is recognised. The amount of any write-down of inventories to net realisable value and any loss relating to inventories is recognised as an expense in the year in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction of the expense relating to inventories in the year in which the reversal occurs.

Refer Note 7.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.12 Impairment of financial assets

All financial assets are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that Sydney Trains will not be able to collect all amounts due. The calculated impairment loss is recognised in the Statement of Comprehensive Income as an allowance to reduce the carrying amount of the financial asset.

When there is objective evidence that impairment no longer exists, previously recognised impairment losses are reversed through the Statement of Comprehensive Income so that the carried amount at amortised value does not exceed what the carrying amount would have been had there not been an impairment loss.

2.13 Property, plant and equipment

(i) Recognition

An item of property, plant and equipment is recognised as an asset if it has service potential controlled by Sydney Trains, is expected at acquisition to be used for more than 1 year, has a cost or value that can be measured reliably and exceeds the capitalisation threshold.

A component is accounted for separately if it (a) has a useful life materially different from that of the prime asset and therefore requires separate replacement during the life of the prime asset, (b) is material enough to justify separate tracking, and (c) is capable of having a reliable value attributed to it. A dedicated spare part does not normally have a useful life of its own.

Dedicated spares purchased specifically for a particular asset, or class of assets, and which would become redundant if that asset or class were retired or use of that asset or class were discontinued, are considered to form part of the historical cost of that asset or class.

Expenditure on the acquisition, replacement or enhancement of property, plant and equipment is capitalised, provided it exceeds the capitalisation threshold or qualifies for recognition as a capital spare.

The capitalisation threshold for a network of property, plant and equipment items or for an individual (non-networked) item (other than a capital spare) is \$5,000. A capital spare is only capitalised if it is part of a pool of rotatable spares, primarily held for the overhaul of the asset to which it relates, and significant enough to warrant it being individually tracked. Expenditure below the capitalisation threshold or not qualifying for recognition as a capital spare is charged to the Statement of Comprehensive Income.

An item of property, plant and equipment in the course of construction is classified as capital work in progress.

An item leased to a lessee under an operating lease continues to be recognised as property, plant and equipment and to be classified according to the nature of the asset.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.13 Property, plant and equipment (continued)

(ii) Measurement

An item of property, plant and equipment purchased or constructed is initially measured at its cost, which is its fair value on acquisition. This includes the purchase price and any costs directly attributable to bringing it to the location and condition necessary for it to be capable of operating as intended. An item of property, plant and equipment acquired at no cost, or for a nominal cost, is initially measured at its fair value.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date or if such a price is not observable or estimable from market evidence its replacement cost. Replacement cost is the written-down cost of an optimised modern equivalent asset. Non-specialised assets with short useful lives are measured at depreciated historical cost as a proxy for fair value.

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 acquisition or construction or where applicable the amount attributed to that asset when initially recognised.

Property, plant and equipment is revalued, at least once every 5 years or with sufficient regularity to ensure the carrying amount of the asset does not materially differ to its fair value after having regard to its highest and best use. As existing natural, legal, financial or socio-political restrictions on asset use or disposal generally prevent any alternative use being feasible within the next 5 years, highest and best use is taken to be existing use.

If an item of property, plant and equipment is revalued, the entire class to which it belongs is revalued.

When revaluing non-current assets by reference to the cost approach for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any accumulated depreciation at the date of a revaluation is restated proportionately with the change in the gross carrying amount of the related asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

Revaluation decrements are recognised immediately as expenses in the Statement of Comprehensive Income, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited directly to the revaluation reserve.

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

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.13 Property, plant and equipment (continued)

(iii) Depreciation

Each item of property, plant and equipment (except land) is depreciated on a straight-line basis over its estimated useful life commencing when the item is available for use. A capital spare is depreciated over the useful life of the asset or class of assets to which it relates.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately, except for rolling stock which is depreciated as a discrete asset.

The depreciation charge for each period is recognised as an expense unless it is included in the carrying amount of another asset.

In determining an asset's useful life consideration is given to its expected usage, its expected wear and tear, technical or commercial obsolescence and legal or similar limits on its use.

The expected useful lives of items of property, plant and equipment are as follows:

	Years
Buildings	50
Rolling stock	32 - 35
Plant and machinery	4-22

Each asset's useful life, residual value and depreciation method are reviewed each year and any resulting adjustments are accounted for as a change in accounting estimate.

(iv) Derecognition

An item of property, plant and equipment is derecognised either on disposal or when its service potential ceases and it is not expected to have any disposal value.

On derecognition of an item of property, plant and equipment, any gain or loss or any related compensation receivable is recognised in the Statement of Comprehensive Income. Any revaluation increase remaining in the asset revaluation reserve in respect of a derecognised asset is transferred to retained earnings.

Refer Note 8

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.14 Intangible assets

(i) Recognition

An identifiable, non-monetary asset without physical substance (such as computer software that is not integral to the related hardware) is recognised as an intangible asset if it has service potential controlled by Sydney Trains, is expected at acquisition to be used for more than 1 year, and has a cost or value that (a) can be measured reliably, (b) exceeds the capitalisation threshold of \$5,000 and (c) has not previously been expensed.

The service potential is assessed using reasonable and supportable assumptions relating to the estimated conditions likely to exist over the useful life of the asset.

An intangible asset arising from development (or from the development phase of an internal project) is only recognised if it is likely to be completed and actually used and the development expenditure can be measured reliably. Expenditure on research (or on the research phase of an internal project) is not recognised as an intangible asset.

An intangible asset in the course of development is classified as intangible capital work in progress.

(ii) Measurement

An intangible asset that is purchased or internally developed is initially measured at its cost. This includes the purchase price and any costs directly attributable to preparing the asset for its intended use. An intangible asset acquired at no cost, or for a nominal cost, because it is transferred by the government is initially measured at its fair value, which is based on its amortised cost as recognised by the transferor. After initial recognition, such assets are accounted for under the cost model.

Due to the absence of active markets for intangible assets, they are not subsequently revalued but continue to be carried at cost less any accumulated amortisation.

(iii) Amortisation

Each intangible asset is amortised on a straight-line basis over its estimated useful life commencing when the item is available for use. Useful lives are all finite. Residual values are assumed to be zero, due to the absence of active markets for disposing of the assets.

In determining an asset's useful life, consideration is given to its expected usage; technical, technological, commercial or other types of obsolescence; legal or similar limits on its use; and whether its life is dependent on the useful life of other assets.

The expected useful life of an item of software ranges between 4 and 15 years.

Each intangible asset's useful life and amortisation method are reviewed each year and any resulting adjustments are accounted for as a change in accounting estimate.

The amortisation charge for each year is recognised in the Statement of Comprehensive Income as depreciation and amortisation expense unless it is included in the carrying amount of another asset.

(iv) Derecognition

An intangible asset is derecognised either on disposal or when its service potential ceases and it is not expected to have any disposal value. On derecognition, any gain or loss is recognised in the Statement of Comprehensive Income.

Refer Note 9

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.15 Trade and other payables

A payable is recognised on the Statement of Financial Position when a present obligation arises under a contract. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A payable is measured at original invoice amount, which is not materially different from amortised cost due to the short-term nature of trade payables.

Any gain or loss arising when a payable is settled or transferred is recognised in the Statement of Comprehensive Income.

Trade payables are unsecured and, unless otherwise agreed with the creditor, are due for settlement by the end of the month following the month in which the invoice is received.

Refer Note 11

2.16 Provisions

(i) Provisions generally

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement, e.g. employee benefits, workers' compensation claims, public liability claims, legal claims, quarry site restoration and ballast disposal.

A provision is recognised when (a) there is a likely present legal or constructive obligation as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised is the best estimate of the expenditure required to settle the likely present obligation as at reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision. Where the effect of the time value of money is material, a provision is measured using the present value of the expenditures expected to be required to settle the obligation and using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Each provision is reviewed as at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that a settlement will be required, the provision is reversed. A provision is only used for its intended purpose.

(ii) Employee benefits

Employee benefit provisions represent the expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date.

Liabilities for short term employee benefits are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before twelve months after the end of the reporting period.

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.16 Provisions (continued)

(ii) Employee benefits (continued)

The liability for other long term employee benefits such as annual leave, accumulating sick leave and long service leave is recognised in current provisions for employee benefits if it is not expected to be settled wholly before twelve months after the end of the reporting period. It is measured at the present value of expected future payments to be made in respect of services provided employees up to the reporting date. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

Superannuation, long service leave, annual leave, and award leave liabilities are recognised as provisions when the obligations arise, which is usually through the rendering of service by employees. Expenditure creating such provisions is either expensed or capitalised, depending on its nature.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Sydney Trains recognises termination benefits either when it can no longer withdraw the offer of those benefits or when it has recognised costs for restructuring within the scope of AASB137 that involves the payment of termination benefits. Benefits not expected to be settled wholly before 12 months after the end of the reporting period are discounted to present value.

Provisions are not recognised for employee benefits that have already been settled (e.g. payments to First State Super, a fully funded superannuation scheme) that do not accumulate (e.g. allowances, non-monetary benefits, parental leave), that are unlikely to be settled beyond the current year's entitlement (e.g. sick leave), or that have little or no marginal cost (e.g. post-employment travel passes).

Costs associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of the estimated future payments. All other employee benefit provisions (i.e. for benefits falling due within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of the estimated future payments.

The amount recognised for the superannuation provision is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly. Investment credits are not netted off against the superannuation contribution tax when calculating the net defined benefit liability (asset) at balance date.

However, any prepaid superannuation asset recognised cannot exceed the total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan.

The amount recognised in the Statement of Comprehensive Income for superannuation is the net total of current service cost and the net interest. Actuarial gains or losses for superannuation are recognised outside of profit or loss in Other Comprehensive Income.

The actuarial assessment of superannuation and long service leave provisions uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

An asset relating to one superannuation plan is not offset against a liability relating to another plan because there is no legally enforceable right to do so.

Refer Note 13

Notes to the Financial Statements for the period ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

2.17 Equity adjustments due to industry restructuring/transfer of assets and liabilities

A transfer of assets (or liabilities) from (or to) another NSW public sector entity as a result of a Ministerial Order to give effect to industry restructuring or transfer of assets or liabilities from certain other government entities is treated as a contribution by (or distribution to) the Government and recognised as a direct adjustment to contributed equity.

Refer Note 14

2.18 Fair value hierarchy

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

- Level 1 - Derived from quoted market prices in active markets for identical assets/liabilities. Quoted market price represents the fair value determined based on the quoted prices on active markets as at the reporting date without any deduction of transaction costs.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable directly or indirectly
- Level 3 – Inputs that are not based on observable market data (unobservable inputs)

Sydney Trains recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Notes 19 and 20

2.19 Significant accounting judgements, estimates and assumptions

Management is required to make judgements, estimates and assumptions about 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 circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular refer Note 8.3 and Note 13.

2.20 Personnel services

Personnel services expenses include salaries and wages, leave entitlements and superannuation for contract staff employed by Transport Service of New South Wales. Sydney Trains recognises the expenses when incurred.

Refer Note 4.3

2.21 Inter entity advance

The inter entity advance is measured at fair value and is derecognised when the obligation expires or is discharged, cancelled or substituted.

Notes to the Financial Statements for the period ended 30 June 2014

Note 3 Income

3.1 Non passenger revenue

	2013-14 \$'000
Inter entity non labour cost recovery	579,173
Construction revenue	403,766
Sale of rail products	33,785
Construction revenue from third party	10,140
Advertising revenue	12,184
Fines and penalties	9,902
Sale of quarry products	5,480
Inter entity labour cost recovery	4,254
Other revenue	31,314
Total non passenger revenue	1,089,998

3.2 Government subsidies and contributions

	2013-14 \$'000
Operating subsidies	1,179,312
Redundancy payments	6,862
Total government subsidies and contributions	1,186,174

Notes to the Financial Statements for the period ended 30 June 2014

Note 4 Expenses

4.1 Employee benefits expenses and other payroll costs

Employee related expenses include the following items:

	Note	2013-14 \$'000
Salaries and wages		823,480
Annual leave		87,715
Long service leave		36,001
Superannuation-defined benefit plan	4.2	18,754
Superannuation-defined contribution		63,218
Workers compensation		13,464
Payroll tax and fringe benefits		46,349
Redundancy		640
Other payroll costs		19,703
Total employee related expenses		1,109,324
Skilled hire contractors		4,883
Skilled hire contractors-inter entity		76,540
Less:Employee related expenses allocated to capital works		(14,027)
Less:Employee related expenses allocated to construction works*		(69,730)
Total employee benefits expenses and other payroll costs		1,106,990

*Construction works are capital works undertaken by Sydney Trains on behalf of Rail Corporation NSW. Sydney Trains excludes the employee related expenses as it is included in other operating expenses (Note 4.4) and recovered as revenue (Note 3.1).

4.2 Defined benefit superannuation plan expense/(income)

	Note	2013-14 \$'000
Current service cost		15,062
Net interest		3,692
Total defined benefit superannuation expense/(income)	13.2.14	18,754

4.3 Personnel services expenses

	2013-14 \$'000
Salaries and wages	56,523
Annual leave	6,640
Long service leave	8,723
Superannuation-defined benefit plan	881
Superannuation-defined contribution	5,856
Workers compensation	200
Payroll and fringe benefit tax	4,602
Total personnel services expenses	83,425

Notes to the Financial Statements for the period ended 30 June 2014

Note 4 Expenses (continued)

4.4 Other operating expenses

	2013-14 \$'000
Subcontractors	318,305
Construction costs	403,766
External maintenance costs	212,683
Materials	173,897
Inter rail entity non labour charges	114,239
Corporate & shared services costs from TfNSW	105,227
Bulk electricity	92,691
Plant and equipment hire	56,972
Bus hire	44,966
Computer expenses	75,311
Insurance costs	19,147
Traction fuel costs	31,623
Security costs	20,182
Motor vehicle expenses	21,043
Telecommunication expenses	8,862
Printing & stationery	7,138
Advertising and marketing	746
Consultants	641
Discounting of provisions	(82)
Audit fees	300
Impairment of trade receivables	134
Other	25,216
Total operating expenses	1,733,007

4.5 Maintenance expenses

Included in total operating expenses are maintenance related costs as follows:

	2013-14 \$'000
Labour	299,456
Contracted & other non-labour expenditure	606,279
Total maintenance expenses	905,735

In addition included in construction costs is \$212.5m major periodic maintenance which is charged to RailCorp and capitalised in RailCorp.

4.6 Finance costs

	2013-14 \$'000
Interest charges	161,896
Total finance costs	161,896

Notes to the Financial Statements for the period ended 30 June 2014

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	30.6.2014 \$'000
Cash at bank	55,601
Cash in hand and in transit	5,104
Total cash and cash equivalents	60,705

5.2 Reconciliation of surplus/(deficit) for the period with net cash from operating activities

Deficit for the year	(171,311)
Cash capital grants	(28,500)
Depreciation and amortisation	138,702
Impaired trade receivables expense	134
Derecognition and write off of assets	1,805
Discounting of provisions	(82)
Net movements in assets and liabilities applicable to operating activities:	
(Increase)/decrease in trade and other receivables	(284,394)
(Increase)/decrease in inventories	(6,027)
Increase/(decrease) in trade and other payables and provisions	231,737
Net cash from operating activities	(117,936)

5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.14 Credit Facilities \$'000	30.6.14 Unused \$'000
Transaction negotiation authority	80,150	80,150
Purchasing card facility	30,000	8,900
Come and Go facility	80,000	80,000
Total credit standby arrangements and loan facilities	190,150	169,050

5.4 Non-cash investing activities

During 2013-14 Sydney Trains acquired 33 sets of Waratah trains valued at \$779m through a finance lease facility provided by Reliance Rail. In addition, a number of assets were acquired by way of equity contribution.

Refer Note 14.2

Notes to the Financial Statements for the period ended 30 June 2014

Note 6 Trade and other receivables

6.1 Analysis of trade and other receivables

	30.6.2014 \$'000
Current trade and other receivables	
Trade receivables	10,210
Inter entity receivables	232,796
Other receivables	63,639
Less: allowance for impairment	(147)
	306,498
Prepayments	4,811
Total current trade and other receivables	311,309

Movements in the allowance for impairment were as follows:

	30.6.2014 \$'000
Balance at beginning of period	-
Allowance recognised in Statement of Comprehensive Income	134
GST movement	13
Balance at end of period	147

6.2 Impaired trade and other receivables

As at 30 June 2014, current trade and other receivables with a nominal value of \$0.147m were impaired. The ageing of the impaired trade and other receivables is as follows:

	30.6.2014 \$'000
1 to 3 months	57
3 to 6 months	88
over 6 months	2
Balance at end of period	147

6.3 Past due but not impaired receivables

As at 30 June 2014, trade and inter entity receivables of \$13.436m were past due but not impaired. The ageing analysis of these receivables is as follows:

	30.6.2014 \$'000
1 to 3 months	12,175
3 to 6 months	18
Over 6 months	1,243
Balance at end of period	13,436

Notes to the Financial Statements for the period ended 30 June 2014

Note 6 Trade and other receivables (continued)

6.4 Nature and extent of risk arising from receivables

Information about Sydney Trains' exposure to credit risk in relation to trade and other receivables is provided in Note 20.

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Note 7 Inventories

	30.6.2014 \$'000
Materials and supplies, at cost	69,192
Work in progress	1,191
	70,383
Less: allowance for obsolete inventory	(8,829)
Total inventories	61,554
Total inventories are comprised of:	
Current inventories	27,974
Non-current inventories	33,580
Total	61,554

Notes to the Financial Statements for the period ended 30 June 2014

Note 8 Property, plant and equipment

8.1 Classes

	30.6.2014 \$'000
Buildings	
Gross carrying amount	242,425
Less accumulated depreciation	(19,563)
Total buildings	222,862
Rolling stock	
Gross carrying amount	3,375,452
Less accumulated depreciation	(377,859)
Total rolling stock	2,997,593
Plant and machinery	
Gross carrying amount	93,464
Less accumulated depreciation	(56,369)
Total plant and machinery	37,095
Capital work in progress	
Other work in progress	2,494
Total capital work in progress	2,494
Total property plant and equipment	3,260,044

Included in the above asset classes are assets under finance lease of:

Buildings -	with a gross carrying value of \$242.4m and a net carrying amount of \$222.9m
Rolling stock -	with a gross carrying value of \$2,677m and a net carrying amount of \$2,574m
Plant and machinery -	with a gross carrying value of \$5.8m and a net carrying amount of \$4.4m

Notes to the Financial Statements for the period ended 30 June 2014

Note 8 Property, plant and equipment (continued)

8.2 Asset class movement

	Buildings \$000	Rolling stock \$000	Plant and machinery \$000	Capital works in progress \$000	Total \$000
Gross carrying amount					
Balance at 7 December 2012	-	-	-	-	-
Transfers from RailCorp	242,417	2,081,443	90,107	38,694	2,452,661
Additions	-	778,982	-	36,346	815,328
Disposals/derecognition/ write-offs	-	-	(510)	(43)	(553)
Revaluations	-	444,451	1,877	-	446,328
Other movements	8	70,576	1,990	(72,503)	71
Balance at 30 June 2014	242,425	3,375,452	93,464	2,494	3,713,835
Accumulated depreciation					
Balance at 7 December 2012	-	-	-	-	-
Depreciation for the period	(4,848)	(80,778)	(7,274)	-	(92,900)
Revaluations	-	(18,178)	(1,624)	-	(19,802)
Transfers from RailCorp	(14,715)	(278,903)	(47,828)	-	(341,446)
Disposals/derecognition/ write-offs	-	-	361	-	361
Other movements	-	-	(4)	-	(4)
Balance at 30 June 2014	(19,563)	(377,859)	(56,369)	-	(453,791)
Net carrying amounts					
At 7 December 2012	-	-	-	-	-
At 1 July 2013	227,702	1,802,540	42,279	38,694	2,111,215
At 30 June 2014	222,862	2,997,593	37,095	2,494	3,260,044

8.3 Valuation of property, plant and equipment

To confirm that the carrying value of the asset classes for buildings and rolling stock materially reflects fair value as at 30 June 2014, independent valuers reviewed the appropriateness of the replacement costs as at 31 March 2014 for buildings via fair value assessment with indexation to 30 June 2014. Rolling stock was revalued during the current year.

(a) Buildings

The Auburn Maintenance Facility (AMF) was designed and manufactured by Reliance Rail under the Rolling Stock Public Private Partnership (PPP) contract with Sydney Trains which incorporates a finance lease arrangement. The AMF leased asset at 30 June 2014 was \$222.9m and the associated finance lease liability, inclusive of accrual interest was \$263.1m.

AMF reached practical completion on 18 June 2010 and its fair value was assessed by an independent valuer (Evans & Peck) at 31 March 2014 based on appropriate Australian Bureau of Statistics indices.

(b) Rolling stock

Rolling stock was valued by an independent valuer (Interfleet Technologies Pty Limited) as at 1 January 2014 at depreciated replacement cost based on replacement costs of both domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence and attractiveness of the fleet sub types relative to the modern equivalent. Sydney Trains engineers confirmed technical data and the remaining life of rolling stock. An increase in the value of this class of asset, totalling \$426m was credited to the asset revaluation reserve in 2014.

Notes to the Financial Statements for the period ended 30 June 2014

Note 8 Property, plant and equipment (continued)

8.4 Leasing arrangements – certain rolling stock

Sydney Trains is the lessee to leasing arrangements for some of its rolling stock. Each arrangement is accounted for as a single linked transaction in accordance with its economic substance. The arrangements do not restrict Sydney Trains' use of the rolling stock in normal operations and have terms of up to 35 years. The leases include options for Sydney Trains to purchase the rolling stock on certain specified future dates.

Note 9 Intangible assets

9.1 Classes

	30.6.2014 \$'000
Software	
Gross carrying amount	382,889
Less accumulated amortisation	(199,727)
Net carrying amount of software	183,162
Software works in progress	21,868
Total intangible assets	205,030

9.2 Movements during the period

	Software \$'000	Software work in progress \$'000	Total \$'000
2014			
Carrying amount at start of period	-	-	-
Transfer from RailCorp	184,111	43,824	227,935
Additions	-	24,510	24,510
Disposals/write-offs	(351)	(1,262)	(1,613)
Amortisation expense	(45,802)	-	(45,802)
Other movements	45,204	(45,204)	-
Carrying amount at end of period	183,162	21,868	205,030

Note 10 Inter entity advance

	30.6.2014 \$'000
Inter entity advance	198,000
Total inter entity advance	198,000

Note to the Financial Statements for the period ended 30 June 2014

Note 11 Trade and other payables

11.1 Current trade and other payables

	30.6.2014 \$'000
Trade payables	120,978
Inter entity payables	40,073
Capital works accruals	9,233
Accrued salaries and wages	35,225
Other payables and accruals	237,922
Deferred revenue	18,261
Total current trade and other payables	461,692

11.2 Fair value

Due to the short-term nature of current trade and other payables, their carrying value is deemed to approximate their fair value.

11.3 Risk exposure

Information about Sydney Trains exposure to payables with a foreign exchange risk is provided in Note 20.

Note 12 Finance lease liabilities

	Note	30.6.2014 \$'000
Current		
Finance lease liabilities	17.3	114,274
		114,274
Non-current		
Finance lease liabilities	17.3	1,949,004
		1,949,004
Total finance lease liabilities		2,063,278

The finance lease relates to the provision of a maintenance facility, simulators and 78 sets of trains under a Public Private Partnership (PPP) for rolling stock.

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions

13.1 Provisions

	Note	30.6.2014 \$'000
Current provisions		
Annual leave (see note (a) below)		126,641
Long service leave (see note (a) below)	13.3	196,297
Pay in lieu of certain holidays worked (see note (a) below)		18,058
Redundancy	13.8	21,532
Total current employee benefits		362,528
Workers' compensation	13.5	1,567
Public liability claims	13.6	85
Ballast disposal	13.7	3,930
Total current provisions		368,110
Non-current provisions		
Superannuation	13.2	238,821
Long service leave (see note (a) below)	13.3	17,065
Redundancy	13.8	-
Total non-current employee benefits		255,886
Workers' compensation	13.5	8,808
Ballast disposal	13.7	8,194
Total non-current provisions		272,888
Total provisions		
Superannuation	13.2	238,821
Annual leave		126,641
Long service leave	13.3	213,362
Pay in lieu of certain holidays worked		18,058
Redundancy provision	13.8	21,532
Total employee benefits		618,414
Workers' compensation	13.5	10,375
Public liability claims	13.6	85
Ballast disposal	13.7	12,124
Total provisions		640,998

(a) In accordance with Australian Accounting Standards all annual leave and unconditional long service leave is classified as a current liability in the Statement of Financial Position because Sydney Trains does not have an unconditional right to defer settlement. Only conditional long service leave is shown as a non current liability. However, on the basis of past payment experience, leave is expected to be settled in the following pattern

	Within 12 months \$'000	Later than 12 months \$'000	Total \$'000
2014			
Long service leave	22,074	191,288	213,362
Annual leave	84,492	42,149	126,641
Pay in lieu of certain holidays worked	18,058	-	18,058
	124,624	233,437	358,061

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation

13.2.1 Overview

Employer contributions are made to 3 defined-benefit superannuation schemes administered by the SAS Trustee Corporation (STC): the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS), which together form the Pooled Fund. Each scheme is closed to new members and its investments are held in trust by the Pooled Fund. At least a component of the final benefit is derived from a multiple of member salary and years of membership. All fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers.

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

Description of the regulatory framework

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years.

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation (continued)

13.2.1 Overview (continued)

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

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

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

Description of risks

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

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

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

Description of significant events

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

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation (continued)

13.2.1 Overview (continued)

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Superannuation Position for AASB 119 purposes				
30 June 2014				
Accrued liability (Note 1)	968,363	103,527	5,603	1,077,493
Estimated reserve account balance	(754,812)	(81,324)	(2,537)	(838,673)
1. Deficit/(surplus)	213,551	22,203	3,066	238,820
2. Future service liability (Note 2)	54,832	43,115	393	98,340
3. Surplus in excess of recovery available from schemes (-1.-2, and subject to a minimum of zero)	-	-	-	-
Net (asset)/ liability to be recognised in Statement of Financial Position (1 + 3)	213,551	22,203	3,066	238,820

Note 1

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

Note 2

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

	SASS	SANCS	SSS
Member numbers			
30 June 2014			
Contributors	1,851	1,855	4
Deferred benefits	-	-	-
Pensioners	27	-	-
Pensions fully commuted	-	-	-

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation (continued)

13.2.2 Reconciliation of the net defined benefit liability/(asset)

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Financial year to 30 June 2014				
Net Defined Benefit Liability/(Asset) at start of year	-	-	-	-
Net Defined Benefit Liability transferred from Railcorp upon administrative restructure at 1/7/2013	167,267	17,610	-	184,877
Adjusted Net Defined Benefit Liability/(Asset) at start of year after transfers	167,267	17,610	-	184,877
Current service cost	11,303	3,720	39	15,062
Net Interest on the net defined benefit liability/(asset)	3,260	414	18	3,692
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(63,260)	(5,491)	(127)	(68,878)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	50,121	8,485	318	58,924
Actuarial (gains)/losses arising from liability experience	44,970	(2,535)	2,819	45,254
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(110)	-	-	(110)
Net defined benefit liability/(asset) at end of year	213,551	22,203	3,067	238,821

13.2.3 Reconciliation of the fair value of fund assets

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Financial year to 30 June 2014				
Fair value of Fund assets at beginning of year	-	-	-	-
Bulk transfer in upon administrative restructure at 1/7/2013 from Railcorp	668,872	72,970	-	741,842
Adjusted fair value of Fund assets at beginning of the year after transfers	668,872	72,970	-	741,842
Interest income	24,659	2,660	15	27,334
Actual return on Fund assets less Interest income	63,260	5,491	127	68,878
Employer contributions	110	-	-	110
Contributions by participants	9,105	-	-	9,105
Transfers in/(Benefits paid)	(10,654)	(1,656)	2,398	(9,912)
Taxes, premiums & expenses paid	(540)	1,859	(3)	1,316
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of year	754,812	81,324	2,537	838,673

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation (continued)

13.2.4 Reconciliation of the defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Financial year to 30 June 2014				
Present value of defined benefit obligations at beginning of the year	-	-	-	-
Bulk transfer in upon administrative restructure at 1/7/2013 from Railcorp	836,139	90,580	-	926,719
Adjusted present value of defined benefit obligations at beginning of the year	836,139	90,580	-	926,719
Current service cost	11,302	3,721	39	15,062
Interest cost	27,920	3,073	33	31,026
Contributions by participants	9,105	-	-	9,105
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	50,121	8,485	318	58,924
Actuarial (gains)/losses arising from liability experience	44,970	(2,535)	2,819	45,254
Transfers in/(Benefits paid)	(10,654)	(1,656)	2,398	(9,912)
Taxes, premiums & expenses paid	(540)	1,859	(3)	1,316
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	968,363	103,527	5,604	1,077,494

13.2.5 Reconciliation of the effect of the asset ceiling

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Financial year to 30 June 2014				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation (continued)

13.2.6 Fair value of Fund assets

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

Asset category	Total \$m	Quoted prices in active markets for identical assets Level 1 \$m	Significant observable inputs Level 2 \$m	Unobservable inputs Level 3 \$m
As at 30 June 2014				
Short Term Securities	2,453	1,573	880	-
Australian Fixed Interest	2,365	11	2,354	-
International Fixed Interest	881	-	881	-
Australian Equities	11,739	11,495	241	3
International Equities	10,954	8,173	2,781	-
Property	3,273	894	692	1,687
Alternatives	6,329	565	4,897	867
Total*	37,994	22,711	12,726	2,557

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

	30.06.2014 %
Short Term Securities	6.5
Australian Fixed Interest	6.2
International Fixed Interest	2.3
Australian Equities	30.9
International Equities	28.8
Property	8.6
Alternatives	16.7
Total	100.0

*Additional to the assets disclosed above, at 30 June 2014 Pooled Fund has provisions for receivables/(payables) estimated to be around \$2.2 billion, giving an estimated assets totalling around \$40.2 billion.

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

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

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

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

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation (continued)

13.2.7 Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets include as at 30 June 2014 of \$173.9 million in NSW government bonds.

13.2.8 Significant actuarial assumptions at the reporting date

	30.6.2014
Discount rate	3.57% pa
Salary increase rate (excluding promotional increases)	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter
Rate of CPI increase	2.5% pa
Pensioner mortality	as per the 2012 Actuarial Investigation of the Pooled Fund

13.2.9 Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2014 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2014.

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

As at 30 June 2014

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	1,077,493	1,188,117	986,838
	Base case	Scenario C +0.5% rate of CPI increase discount rate	Scenario D -0.5% rate of CPI increase discount rate
Discount rate	as above	as above	as above
Rate of CPI increase	2.50%	3.00%	2.00%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$'000)	1,077,493	1,094,664	1,061,905
	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$'000)	1,077,493	1,110,581	1,046,130
	Base case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation (A\$'000)	1,077,493	1,074,878	1,080,251

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

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation (continued)

13.2.10 Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements.

13.2.11 Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

(a) Surplus/deficit

The following is a summary of the 30 June 2014 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
30.06.2014				
Accrued benefits	740,593	78,108	2,599	821,300
Net market value of Fund assets	(754,811)	(81,324)	(2,537)	(838,672)
Net (surplus)/deficit	(14,218)	(3,216)	62	(17,372)

(b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
	-	-	-

(c) Economic assumptions

The economic assumptions adopted for the 30 June 2012 actuarial investigation of the Pooled Fund are:

Weighted average assumptions	2014
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate (excluding promotional increases)	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation (continued)

13.2.12 Expected contributions

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Financial year to 30 June 2014				
Expected employer contributions	-	-	-	-

13.2.13 Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 11.9 years.

13.2.14 Profit and loss impact

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Financial year to 30 June 2014				
Current service cost	11,303	3,720	39	15,062
Net interest	3,260	414	18	3,692
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Defined benefit cost	14,563	4,134	57	18,754

13.2.15 Other comprehensive income

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Financial year to 30 June 2014				
Actuarial (gains) losses on liabilities	95,090	5,950	3,137	104,177
Actual return on Fund assets less Interest income	(63,260)	(5,491)	(127)	(68,878)
Adjustment for effect of asset ceiling	-	-	-	-
Total remeasurement in other comprehensive income	31,830	459	3,010	35,299

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.2 Superannuation (continued)

13.2.16 Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligations.

13.3 Long service leave

Long service leave is recognised as an expense and a provision when the obligations arises, which is usually through the rendering of service by an employee.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors to employees with five or more years of service, using current rates of pay.

The liability for long service leave was assessed by a consulting actuary, Mr G. Holley FIAA of Mercer Human Resource Consulting. The actuary assumed an interest rate of 3.5% and a salary growth rate of 2.5% per annum with an immediate effect on 1 April 2014 and 3.5% per annum thereafter.

13.4 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of period \$'000	Transfers from RailCorp \$'000	Increase in provision \$'000	Discounting adjustment \$'000	Subtotal \$'000	Payment of claims \$'000	Unused amount reversed \$'000	Carrying amount at end of period \$'000
2014								
Workers								
Compensation	-	-	13,464	-	13,464	3,089	-	10,375
Public liability claims	-	-	85	-	85	-	-	85
Ballast disposal	-	16,725	10,694	270	27,689	10,491	5,074	12,124

Notes to the Financial Statements for the period ended 30 June 2014

Note 13 Provisions (continued)

13.5 Workers' compensation

Workers' compensation insurance is in place to cover any claim exceeding \$1m and the workers' compensation provision is maintained for smaller claims, for which Sydney Trains is a licensed self-insurer.

The workers' compensation liability at year end was assessed by McMahon Actuarial Services assuming a discount rate ranging from 2.5% to 4.3% per annum over the next 10 years and a future wage inflation rate of 4% per annum over the next 10 years.

The actuary has advised that no allowance was made for asbestos related claims.

13.6 Public liability claims

The public liability claims provision recognises claims against Sydney Trains that arise from personal injuries or property damage occurring on its premises or involving its assets.

Any claim recoverable from Sydney Trains' insurer is also recognised as a receivable or disclosed as a contingent asset, depending on its probability of settlement. Refer Notes 6 and 18.

The liability at year end was assessed by management. The likely amount to be settled was assessed on the basis of past experience. The likely timing of settlement was assessed by reviewing individual claims. The liability is inherently uncertain due to disputes over the existence or quantum of individual claims.

13.7 Ballast disposal provision

The ballast disposal provision recognises Sydney Trains' legal obligation in relation to the disposal of non-recyclable landfill and materials arising from its ballast recycling operations.

The liability was assessed at 31 March 2014 by management after investigation of stockpiles at the Chullora site. The liability is inherently uncertain due to the quantum and timing of future disposal.

13.8 Redundancy

A provision has been established for the cost of Sydney Trains' redundancy programs. Sydney Trains has various initiatives and reform activity that will result in redundancies

Notes to the Financial Statements for the period ended 30 June 2014

Note 14 Contributed equity

14.1 Contributed equity

	Note	30.6.2014 \$'000
Net assets contributed by Government	14.2	314,759
Contributed equity at end of period		314,759

14.2 Net assets contributed by the Government

As part of the restructuring of the NSW rail industry, the following assets, rights and liabilities were transferred from RailCorp to Sydney Trains on 1 July 2013. The net transfers are considered to be a contribution by owner in accordance with TPP 09-3 Accounting Policy: Contribution by Owners made to wholly owned public sector entities and are treated as an adjustment to equity.

	\$'000
Assets transferred from other entities	
Cash assets	76,357
Trade and other receivables	27,049
Inventories	55,526
Derivative financial instruments (current)	1,976
Property, plant and equipment	2,111,215
Intangible Assets	227,935
Other non-current assets	11,923
Derivative financial instruments (non current)	474
Total assets	2,512,455
Liabilities transferred from other entities	
Trade and other payables	(320,085)
Finance lease liabilities (current)	(61,870)
Finance lease liabilities (non current)	(1,271,193)
Provisions (current)	(308,438)
Provisions (non current)	(233,660)
Derivative financial instruments liabilities (current)	(784)
Derivative financial instruments liabilities (noncurrent)	(103)
Total liabilities	(2,196,133)
Net assets transferred	316,322
Hedging Reserves	(1,563)
Contributed equity	314,759

Notes to the Financial Statements for the period ended 30 June 2014

Note 15 Reserves

The hedging reserve recognises the cumulative gains/losses on hedging instruments used for existing cash flow hedges. The movements during the year were as follows:

	30.6.2014 \$'000
Hedging reserve	
Balance at start of period	-
Net gain/(loss) in forward foreign exchange	(3,169)
Net gain/(loss) in commodity swaps	1,130
Vesting from RailCorp	1,563
Balance at end of period	(476)
Asset revaluation reserve	
Balance at start of period	-
Increase/(decrease) as a result of revaluation	426,526
Balance at end of period	426,526
Total reserves	426,050

Note 16 Retained earnings

	30.6.2014 \$'000
Retained earnings at start of period	-
Surplus/(deficit) for the period	(171,311)
Superannuation actuarial gains/(losses)	(35,299)
Transfers of reserve to/(from) retained earning	-
Retained earnings at end of period	(206,610)

Note 17 Expenditure commitments

17.1 Expenditure commitments

	30.6.2014 \$'000
Operating leases	
Within 12 months	11,162
12 months or longer but not longer than 5 years	8,536
Longer than 5 years	12,892
Total operating leases	32,590
Total property, plant & equipment (including intangible assets)	12,172

For more details on rolling stock PPP contract commitments refer note 17.3.

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$4.0m are expected to be recoverable from the Australian Taxation Office.

Notes to the Financial Statements for the period ended 30 June 2014

17.2 Expenditure commitments (continued)

17.2 Minimum lease payments committed under non-cancellable operating lease

	30.6.2014 \$'000
Within 12 months	10,935
12 months or longer but not longer than 5 years	8,536
Longer than 5 years	12,892
Total committed	32,363

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of \$2.9m are expected to be recoverable from the Australian Taxation Office.

17.3 Rolling stock PPP contract commitments

Refer to Note 2.6(i) in regard to the contractual arrangements with Reliance Rail. The PPP finance lease assets and associated liabilities were transferred from RailCorp to Sydney Trains on 1 July 2013.

Payments under the Rolling Stock Public Private Partnership (PPP) contract are being made via a series of Standard Availability Unit (SAUs) payments by Sydney Trains to Reliance Rail. The SAUs ramp up progressively as each set becomes available for passenger service. The SAU payments are indexed to CPI.

The sets will be progressively available for passenger service as each set achieves practical completion. Overall, the total payments to be made by Sydney Trains to Reliance Rail, including milestone payments and financing costs, over the term of the project are estimated to be \$9,397m in nominal dollars.

The Sydney Trains agreement with Reliance Rail constitutes a finance lease, refer Note 2.6(i). These assets and associated finance lease liabilities are recognised on completion and delivery of the assets. The weighted average discount rate at 30 June 2014 for the finance lease liabilities were 9.34%.

The Auburn Maintenance Facility (AMF) reached practical completion on 18 June 2010. The lease liability, inclusive of accrued interest, at 30 June 2014 was \$263.1m.

The Simulators achieved practical completion on 30 September 2010. The lease liability, inclusive of accrued interest, at 30 June 2014 was \$4.7m.

The 78th and final set of Rolling Stock achieved Practical Completion on 29 May 2014. A total of 33 sets of rolling stock achieved practical completion during 2013-14 resulting in an addition to leased rolling stock of \$779m. An associated finance lease liability of \$779m was also recognised. The remaining 2 spare carriages will be recognised as an addition to leased rolling stock and rolling stock lease liability when they are provided by Reliance Rail. Milestone payments made in respect of design and development of the rolling stock are applied to the rolling stock lease liability. The lease liability, inclusive of the application of the milestone payment and accrued interest at 30 June 2014 was \$1,795.4m

In addition to the capitalisation of the leased assets above, at practical completion project-related expenditure is allocated to the associated fixed assets. These capitalised expenditures are depreciated in line with the fixed asset to which they relate.

Interest of \$30.0m has been accrued in respect to the finance lease liability for the rolling stock, maintenance facility and simulators.

No milestone payments were made in 2013-14 (2012-13: Nil) to Reliance Rail related to the rolling stock. Design milestone payments are interest free advances pending delivery of the associated asset upon which event those advances are applied against the finance lease liability.

Final Completion payments of \$66.8m were made in 2013-14 (2012-13: Nil) to Reliance Rail related to rolling stock. Those payments are made and applied against the finance lease liability once in service performance criteria have been achieved and minor defects closed out.

Notes to the Financial Statements for the period ended 30 June 2014

Note 17 Expenditure commitments (continued)

17.3 Rolling stock PPP contract commitments (continued)

The commitment under this contract is as follows, excluding GST:

	Note	30.6.2014 \$'000
Finance lease liabilities		
Within 12 months		159,259
12 months or longer but no longer than 5 years		755,433
Longer than 5 years		5,212,321
Total minimum lease payments		6,127,013
Less amount representing finance charges		(4,063,735)
Present value of net future minimum lease payments (included in the Financial Statements as finance lease liabilities)		2,063,278
Classified as:		
Current	12	114,274
Non-current	12	1,949,004
Total		2,063,278
Other PPP contract commitments		
Within 12 months		189,399
12 months or longer but no longer than 5 years		280,258
Longer than 5 years		2,800,642
Total other PPP contract commitments		3,270,299

Other PPP contract commitments represent future payments relating to maintenance on the rolling stock.

Note 18 Contingent liabilities and contingent assets

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

Conversely, they are present obligations arising from past events which are not recognised because it is uncertain or not probable that resources will be required to settle the obligation or the amount of the obligation cannot be reliably measured. However their probability of settlement is not remote.

Contractual and other claims against Sydney Trains arise in the ordinary course of operations. The existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably.

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

Contingent assets represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is "probable" but not "virtually certain".

Contractual and other recoveries represent claims made by Sydney Trains against others in relation to contractual breaches and insurance claims in relation to other matters. The existence or quantum of each claim is usually in dispute.

Notes to the Financial Statements for the period ended 30 June 2014

Note 19 Fair value measurements of non-financial assets

19.1 Fair value measurements of non-financial assets

Sydney Trains measures and recognises rolling stock, buildings, plant and machinery at fair value on a recurring basis.

Sydney Trains do not have any assets measured at fair value on a non-recurring basis.

Fair value measurements recognised in the statement of financial position are categorised into the following levels at 30 June 2014. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Property, plant and equipment				
Rolling stock and plant & machinery	-	223	3,034,465	3,034,688
Building	-	-	222,862	222,862
Total recurring fair value measurements	-	223	3,257,327	3,257,550

Level 2 fair value inputs include inputs other than quoted prices.

Level 3 fair value inputs include prices observed for recent transactions adjusted for market participant assumptions on optimisation and obsolescence using the cost approach.

Sydney Trains' policy is to recognise transfers into and transfers out of the fair value hierarchy as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. There were no transfers in and out of level 3 measurements.

For recurring fair value measurements, the highest and best use of non-financial assets is generally its current use.

19.2 Valuation techniques used to derive level 3 fair values

Recurring fair value measurements

The fair value of non-financial assets such as Passenger Rolling Stock that are not traded in an active market is determined using valuation techniques. The valuation techniques adapted the use of the cost approach in view of the specialised nature of the assets and the not for profit nature of Sydney Trains. The fair value measurement reflected the lowest cost amount to replace the service capacity with a technologically modern equivalent optimised asset adjusted for obsolescence. The cost approach was consistent with the previous valuations of the assets prior to vesting to Sydney trains. In arriving at the fair value for rolling stock inputs other than quoted prices for similar assets that were observable was used with adjustments made to account for their operational suitability to Sydney Trains assets. All of the resulting fair value estimates are included in level 3.

Notes to the Financial Statements for the period ended 30 June 2014

Note 19 Fair value measurements of non-financial assets (continued)

19.3 Fair value measurements using significant unobservable inputs (level 3)

The following table is a reconciliation of level 3 items for the period ended 30 June 2014.

2014	Plant & machinery \$'000	Rolling stock \$'000	Building \$'000	Total \$'000
Fair Value at 7 December 2012	-	-	-	-
Additions vested from RailCorp	42,279	1,802,540	227,710	2,072,529
Transfers out of level 3	-	-	-	-
Disposals	(149)	-	-	(149)
Additions	1,985	849,558	-	851,543
Settlements	-	-	-	-
Total gains/(losses)	-	-	-	-
Recognised in the Statement of Comprehensive Income	(7,273)	(80,778)	(4,848)	(92,899)
Recognised in other comprehensive income	30	426,273	-	426,303
Fair Value at 30 June 2014	36,872	2,997,593	222,862	3,257,327

There were no transfers from levels 1 and 2 during the reporting period.

For recurring level 3 fair value measurements, the change in unrealised gains/ losses for the period included in the surplus for the year for assets held at the end of the reporting period is nil in the current year.

Valuation inputs and relations to fair value

Valuation inputs are based on market comparable approach for recent transaction prices for similar assets consistently applied. These have taken account of observable inputs which have then been adjusted for obsolescence and there has been no material change.

Unobservable inputs for rolling stock relate to functional obsolescence, technical obsolescence and qualitative attractiveness applied to replacement cost. Other inputs for rolling stock assets to derive optimised replacement cost include prices from relevant contracts awarded for the rolling stock manufacture. Certain level 2 inputs such as international prices and exchange rates which apply to rolling stock assets are adjusted for international transportation costs / structural modifications and are subsequently classified as level 3 inputs.

There were no significant inter-relationships between observable inputs that materially affect fair value.

Notes to the Financial Statements for the period ended 30 June 2014

Note 19 Fair value measurements of non financial assets (continued)

19.3 Fair value measurements using significant unobservable inputs (level 3) (continued)

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

Description	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship of unobservable inputs to fair value
Rolling Stock	Qualitative attractiveness is part of obsolescence, and is based on the age of fleet. Qualitative attractiveness represents the discount to cost for an older item and is known as the indifference rental.	5-20% based on fleet age of 10-30 years and above \$26m	The older the fleet the greater the obsolescence attributed to qualitative attractiveness, and the lower the fair value. A 1% increase / decrease will change fair value by \$260,000
	Other optimisation factors include: traction package; brake controller costs; air conditioning costs; disability compliance costs; passenger information system costs; video surveillance system costs and digital voice announcement system costs.	\$4m	The higher the obsolescence factors, the lower the fair value. A 1% increase / decrease will change fair value by \$40,000

Sydney Trains has not quantified unobservable inputs relating to buildings for 30 June 2014 as it is not readily available. AASB 13 is applied on a prospective basis. Sydney Trains will disclose quantitative information and a sensitive analysis for the remaining asset classes when next revalued.

Notes to the Financial Statements for the period ended 30 June 2014

Note 20 Financial instruments

20.1 Financial instruments

Sydney Trains holds the following financial instruments:

	30.06.14 \$'000
Financial assets	
Cash and cash equivalents	60,705
Trade and other receivables*	240,278
Derivative financial assets	627
Total financial assets	301,610
Financial liabilities	
Trade and other payables**	396,654
Inter entity advance	198,000
Finance leases	2,063,278
Derivative financial liabilities	1,102
Total financial liabilities	2,659,034

* Trade and other receivables exclude statutory receivables and prepayments, i.e. not within the scope of AASB 7 *Financial Instruments: Disclosures*

** Trade and other payables exclude statutory payables and unearned income, i.e. not within the scope of AASB 7 *Financial Instruments: Disclosures*

20.2 Financial risks

The operational activities of Sydney Trains expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and commodity price risk in respect of distillate and electricity purchases). A risk management program focuses on financial performance and seeks to minimise potential adverse effects from financial market price movements. Sydney Trains uses derivative instruments to hedge financial exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. 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.

Risk management is carried out under approved policies. Sydney Trains' Treasury Management Policy establishes a prudential framework covering policies, best practice internal controls and reporting systems for the management of financial risks within Sydney Trains' operation. The policy covers specific areas such as foreign exchange risk, interest rate risk, commodity risk, credit risk, use of derivative financial instruments and investment of excess funds. The Sydney Trains Treasury Management Policy is approved annually.

The primary objective of this policy is to achieve management of all financial risks in strict compliance with internal policies and guidelines within the broad framework of the NSW Treasury Management Policy (TPP07-7). Accounting for Treasury Instruments is in accordance with NSW Treasury accounting policy, Accounting for Financial Instruments (TPP08-1).

Sydney Trains Treasury identifies, evaluates and hedges financial risk in close cooperation with Sydney Trains' operating groups. Treasury instruments approved for the management of financial risk are in accordance with the *Public Authorities (Financial Arrangements) Act 1987*.

Notes to the Financial Statements for the period ended 30 June 2014

Note 20 Financial instruments (continued)

20.3 Market risk

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

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

20.3.1 Foreign exchange risk

Sydney Trains is exposed to foreign exchange risk arising from currency exposures. Foreign exchange risk arises from contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Sydney Trains Treasury Management Policy covers all elements of financial risk including foreign exchange risk. The policy requires 100% hedging of all material foreign exchange exposures.

Purchases involving foreign currency risk exposure that exceeds an aggregate of AUD 25,000, are required to be reviewed in advance of the signing by the Treasury section to assess the financial risk and formulate strategies to manage the risk. The Treasury section confirms a budget rate with project managers based on current forward prices and hedging strategies implemented. Counterparty risk is minimised by conducting all foreign exchange transactions with eligible counterparties, refer Note 20.4.

Sydney Trains' foreign currency contracts outstanding at period end were:

Maturity Profiles	Weighted Average Exchange Rate	Contract Value	Fair Value
	2014	2014 AUD '000	2014 AUD '000
Contracts denominated in US Dollars			
Not later than 3 months	0.9151	7,667	7,467
Later than 3 months and not later than 12 months	0.8981	14,456	13,994
Later than 12 months	0.9157	2,643	2,654
Total hedged US Dollar contracts		24,766	24,115
Contracts denominated in Euros			
Not later than 3 months	0.6726	5,863	5,749
Later than 3 months and not later than 12 months	0.6663	7,029	6,937
Later than 12 months	0.6708	76	76
Total hedged Euros contracts		12,968	12,762

Notes to the Financial Statements for the period ended 30 June 2014

Note 20 Financial instruments (continued)

20.3 Market risk (continued)

20.3.1 Foreign exchange risk (continued)

Maturity Profiles	Weighted Average Exchange Rate	Contract Value	Fair Value
	2014	2014 AUD '000	2014 A\$'000
Contracts denominated in Pounds Sterling			
Not later than 3 months	0.5487	1,833	1,829
Later than 3 months and not later than 12 months	0.5433	1,271	1,267
Later than 12 months	-	-	-
Total hedged Pounds Sterling contracts		3,104	3,096
<hr/>			
Total hedged purchase		40,837	39,973

Foreign exchange risk sensitivity analysis

The following table shows the effect on Other Comprehensive Income at the reporting date of a 10% movement in exchange rates, with all other variables being held constant. All underlying exposures and related hedges are taken into account.

Although currency markets have been volatile in the current reporting period, a sensitivity of 10 per cent has been selected for use at the reporting date, as this is considered reasonable, based on the current Australian dollar (AUD) level and the historical volatility of the AUD against other currencies. Based on the value of the AUD at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the AUD fair value respectively.

Based on the financial instruments held at 30 June 2014, had the AUD spot price weakened/strengthened by 10% against currencies in which contracts are held, with all other variables held constant, the impact on Comprehensive Income is shown in the table below.

An adverse movement in exchange rates implies an increase in the AUD against the hedged currency. A favourable movement represents a fall in the AUD against the hedged currency.

Decrease of 10%	Surplus Higher/(Lower)	Other Comprehensive Income Higher/(Lower)
	2014 AUD '000	2014 AUD '000
US Dollars	-	(2,161)
Euros	-	(1,146)
Pounds Sterling	-	(280)
Total	-	(3,587)

Notes to the Financial Statements for the period ended 30 June 2014

Note 20 Financial instruments (continued)

20.3 Market risk (continued)

20.3.1 Foreign exchange risk (continued)

Increase of 10%	Surplus Higher/(Lower) 2014 AUD '000	Other Comprehensive Income Higher/(Lower) 2014 AUD '000
US Dollars	-	2,641
Euros	-	1,400
Pounds Sterling	-	342
Total	-	4,383

20.3.2 Commodity price risk

Sydney Trains is exposed to a range of commodity price risks, principally from distillate and electricity purchases.

Australian dollar costs under the supply agreements price mechanism for distillate are reflective of movements in Singapore Gas Oil prices and AUD/USD exchange rates. Sydney Trains Treasury Management Policy requires 100% of exposures be hedged in year 1, year 2 up to 60% and year 3 up to 40% hedged given the continuous nature of the exposure. Sydney Trains hedges its distillate exposure by entering into Singapore Gas Oil swap and USD forward contracts.

Sydney Trains purchases its electricity under fixed price contracts. Sydney Trains' policy for electricity hedging is similar to distillate operations however electricity hedging applies only to periods not under contract. 100% of exposures are required to be hedged in year 1. Up to 60% of exposures can be hedged in year 2 and up to 40% in year 3. Hedges are subsequently closed out once a fixed price contract is in place.

At 30 June 2014 there were only commodity hedge contracts in place for distillate purchases.

Maturity profiles	Contract Value 2014 \$'000	Fair Value 2014 \$'000
Not later than 1 year		
Favourable	12,727	13,074
Non-favourable	5,638	5,586
	18,365	18,660
Between 1 and 5 years		
Favourable	2,654	2,747
Non-favourable	-	-
	2,654	2,747
Total commodity swap contracts	21,019	21,407

Notes to the Financial Statements for the period ended 30 June 2014

Note 20 Financial Instruments (continued)

20.3 Market risk (continued)

20.3.2 Commodity price risk (continued)

Commodity price risk sensitivity analysis

Based on contracts in place at 30 June 2014, had the Singapore Gas Oil spot price weakened/strengthened by 10%, with all other variables held constant, the impact on Comprehensive Income is shown in the table below:

	Change in unit price	Impact on surplus 2014 \$A000	Impact on Other Comprehensive Income 2014 \$A000
Distillate	-10%	-	(2,117)
Distillate	+10%	-	2,117

Significant assumptions used in the commodity price exposure sensitivity analysis include reasonably possible movements in commodity price rates, determined based on a review of the last 2 years historical movements and economic forecasts.

20.3.3 Interest rate risk

Interest rate risk refers to the market value of financial instruments or cash flows associated with the instruments fluctuating due to changes in market yields.

The PPP maintenance facility finance lease recognised on Sydney Trains' Statement of Financial Position is not exposed to interest rate risk. Amounts payable under the leasing arrangement are fixed, based on the achievement of certain milestones and key performance indicators by Reliance Rail. The interest rate charged on the lease liability is that which is implicit within the lease and will not be impacted by market interest rate fluctuations. Refer Note 17.3.

Exposure to interest rate risk at year end is set out below:

	Interest Rate 2014 %	Principal Amount 2014 \$'000
Financial assets		
Not later than 1 year		
Cash on hand	-	5,104
Cash at bank	3.35	55,601
Total financial assets		60,705
Financial liabilities		
Not later than 1 year		
Finance lease	-	114,274
Between 1 and 5 years		
Finance lease	-	602,353
Later than 5 years		
Finance lease	-	1,346,650
Total financial liabilities		2,063,277
Net exposure		2,123,982

Interest rate risk is not applicable to the finance lease

Notes to the Financial Statements for the period ended 30 June 2014

Note 20 Financial instruments (continued)

20.3 Market risk (continued)

20.3.3 Interest rate risk (continued)

Interest rate sensitivity analysis

Exposure to interest rate risk arises primarily through Sydney Trains' interest bearing liabilities. A change of +/- 1% is used, consistent with current trends in interest rates, to measure Sydney Trains' financial sensitivity to interest rate movements. Sydney Trains exposure to interest rate risk is set out below:

	Change in yield	Impact on surplus 2014 \$'000	Impact on Other Comprehensive Income 2014 \$'000
Bank deposits	1%	556	-

If interest yields had changed by 1% the market value of Sydney Trains' debt portfolio would have moved in accordance with the weighted average modified duration for the portfolio.

Investment

Sydney Trains held funds with Westpac Banking Corporation for operational purposes at 30 June 2014. The facility is designated at cost through the profit and loss. Therefore any changes in price impacts on profit and loss (rather than comprehensive income). The deposits at balance date were earning an average interest rate of 3.35% while over the year the weighted average interest rate was 3.35% on an average balance during the year of \$74.2m.

20.4 Credit risk

Credit risk arises where there is the possibility of Sydney Trains' debtors defaulting on their contractual obligations, resulting in a financial risk to Sydney Trains.

Credit risk can arise from financial assets of Sydney Trains, including cash and cash equivalents, derivative financial instruments, deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions. Sydney Trains holds bank guarantees for significant customers as well as property bonds for some leased premises. Sydney Trains has not granted any financial guarantees. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Sydney Trains' credit risk policy is aimed at minimising the potential for counter party default. Sydney Trains uses the Standard & Poor's rating system in assessing credit risk.

Credit risk associated with Sydney Trains' financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. The *Public Authorities (Financial Arrangements) Act 1987* requires Sydney Trains to transact all debt management and investment activities with TCorp, which has an AAA credit rating from Standard & Poor's due to their financial arrangements and obligations being guaranteed by the NSW Government.

Sydney Trains held \$55.6m in cash at bank at 30 June 2014. This was held with Westpac Banking Corporation.

Notes to the Financial Statements for the period ended 30 June 2014

Note 20 Financial instruments (continued)

20.4 Credit risk (continued)

Derivatives

In relation to foreign exchange contracts and commodity swap transactions, Sydney Trains only transacts with counterparties with a Standard & Poor's long-term credit rating of A or greater. Sydney Trains held \$0.6m in derivative financial assets and \$1.1m in derivative financial liabilities.

Further, no counterparty may have more than 50% of Sydney Trains' total contract value in regards to foreign currency and commodity transactions.

Sydney Trains also holds "International Swap Dealers Association" Master Agreements with all counterparties which is an industry standard.

Trade receivables

The maximum credit risk exposure in relation to receivables is the carrying amount, less the allowance for impaired debts. Where necessary to support approval of a credit application for customers, security may need to be obtained in the form of an unconditional bank guarantee and/or security deposit.

Sydney Trains is not obliged to extend credit. Sydney Trains is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

20.5 Liquidity risk

Liquidity risk refers to Sydney Trains being unable to meet its payment obligations when they fall due. Sydney Trains manages risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Credit standby arrangements are shown at Note 5.3.

During the current year, there have been no defaults or breaches on any loans payable. No assets have been pledged as collateral. Sydney Trains exposure to liquidity risk is deemed insignificant based on prior period data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. If trade terms are not specified, payment is generally made no later than the end of the month following the month in which an invoice or a statement is received.

The following table reflects the maturity band for all contractual obligations including the payment of principal and interest resulting from recognised financial liabilities at reporting date excluding the impact of netting.

Notes to the Financial Statements for the period ended 30 June 2014

Note 20 Financial instruments (continued)

20.5 Liquidity risk (continued)

	Carrying Amount \$'000	Contract Cash flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
30 June 2014					
Financial assets					
Cash & cash equivalents	60,705	60,705	60,705	-	-
Trade and other receivables	240,278	240,278	240,278	-	-
	300,983	300,983	300,983	-	-
Financial liabilities					
Trade and other payables	396,654	396,654	396,654	-	-
Inter entity advance	198,000	198,000	198,000	-	-
Finance lease liability	2,063,277	6,127,013	159,259	755,433	5,212,321
	2,657,931	6,721,667	753,913	755,433	5,212,321
Derivatives					
Forward exchange contracts outflow	(39,973)	(40,837)	(38,119)	(2,718)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(21,407)	(21,019)	(18,365)	(2,654)	-
Commodity swap contracts inflow	-	-	-	-	-
	(61,380)	(61,856)	(56,484)	(5,372)	-

Notes to the Financial Statements for the period ended 30 June 2014

Note 20 Financial instruments (continued)

20.6 Fair value compared to carrying amount

The fair values of financial instrument assets and liabilities are determined as follows:

- 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.

Sydney Trains considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

Financial assets and liabilities recognised at fair value after initial recognition include foreign exchange contracts and commodity swap contracts. Foreign exchange and commodity hedging instruments (assets and liabilities) are categorised within level 2 and are calculated from current market prices / exchange rates that are observable either directly or indirectly and appropriately adjusted for credit. The financial assets and liabilities are recognised on a recurring basis in the statement of financial position.

There were no transfers between levels 1 and 2 during the current period.

The fair value of financial assets and liabilities recognised in the statement of financial position is as follows:

	Fair value \$'000	Carrying value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Fair value at 30 June 2014					
Financial assets					
Foreign exchange contracts	6,876	6,690	-	6,876	-
Commodity swap contracts	15,821	15,381	-	15,821	-
Total financial assets	22,697	22,071	-	22,697	-
Financial liabilities					
Foreign exchange contracts	33,097	34,147	-	33,097	-
Commodity swap contracts	5,586	5,638	-	5,586	-
Total financial liabilities	38,683	39,785	-	38,683	-

Notes to the Financial Statements for the period ended 30 June 2014

Note 21 Events occurring after reporting date

The *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2014* was effective on 1 August 2014 and has resulted in Transport Cleaning Services becoming a controlled entity of Sydney Trains.

Administrative orders transferred the majority of staff and associated employee liabilities of RailCorp to Sydney Trains throughout July and August 2014. The approximate value of the transfer of employee liability is \$165m and is a contribution by owner in accordance with TPP 09-3 *Accounting Policy: Contribution by owners made to wholly owned public sector entities*.

(End of audited financial statements)



INDEPENDENT AUDITOR'S REPORT

Sydney Trains

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Sydney Trains, which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of Sydney Trains as at 30 June 2014, and of its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of Sydney Trains
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A T Whitfield
Deputy Auditor-General

18 September 2014
SYDNEY

4 Appendices

Appendix 1: Changes In Acts And Subordinate Legislation

Government Sector Employment Act 2013

Date of Commencement: 24 February 2014

This Act repealed the Public Sector Employment and Management Act 2002. Schedule 6.10 amended the Transport Administration Act 1988 at Schedule 2, clause 1A, and Schedule 7, clause 175(7) to affect transfer of the employment of the heads of certain transport authorities from the Government Service to Transport Service.

Under the Act, two employment structures are created: the government sector and, within that, the Public Service. The government sector comprises most NSW Government employees, including the Public Service and the Transport Service.

Part 5 of the Act contains the provisions that apply to employees in the Transport Service and NSW Government agencies. Under the Act, the Public Service Commissioner is empowered to make government sector related rules. Those parts of the Government Sector Employment Rules 2014 that apply to Sydney Trains mirror what applies under the parent Act.

Also, the term 'Director-General' was replaced by 'Secretary'.

Promotional appeal rights to the New South Wales Industrial Relations Commission are removed as agencies and departments will now be required to create internal processes to deal with concerns regarding promotional decisions.

Graffiti Control Amendment Act 2014

Date of Commencement: 14 May 2014

Section 6 of the Graffiti Control Act 2008 was amended as a consequential amendment under the Graffiti Control Amendment Act 2014 to omit matter concerned with the fixing of posters. Section 4 was also amended regarding intentionally 'marking premises or property'.

Public Authorities (Financial Arrangements) Regulation 2013

Date of Commencement: 30 August 2013

This Regulation remakes the provisions of the Public Authorities (Financial Arrangements) Regulation 2005, which was repealed on 1 September 2013. The Regulation deals with the following matters:

- The purchase, surrender, transfer, transmission and payment of securities by authorities under the Public Authorities (Financial Arrangements) Act 1987
- The powers of investment conferred on authorities by that Act
- The prescription of certain entities as authorities for the purposes of that Act

Rail Safety National Law National Regulations (Fees) Variation Regulations 2014

Date of Commencement: 20 June 2014

This Regulation amended the annual fees payable by Sydney Trains for the management and usage of track per kilometre, under s76 (1) of the Rail Safety National Law.

Smoke-free Environment Act 2000

This Act was amended by the Statute Law (Miscellaneous Provisions) Act (No 2) 2013 to give police officers the functions of inspectors under that Act in order to deal with smokers on railway platforms and stations, and other transport related areas. These functions included the power to issue a penalty notice and the power to require a person to stop smoking and to state their name and address.

State Authorities Non-contributory Superannuation Act 1987, State Authorities Superannuation Act 1987, Superannuation Act 1916

These Acts were amended by the State Authorities Superannuation Amendment (Train Corporations) Order 2013 to include Sydney Trains in the list of employers, enabling their employees to continue to contribute to the State Authorities Superannuation Fund if they were contributors to that Fund immediately before becoming employees of Sydney Trains.

Transport Administration Act 1988

This Act was subject to various amendments, in particular those made under Sch 6, cl 6.10 of the Government Sector Employment Act 2013, and Sch 3, cl 3.32 of the Statute Law (Miscellaneous Provisions) Act 2014, which included:

- Terminological changes from “Director-General” to “Transport Secretary”
- The omission of Division 1 Regulations relating to staff employed in connection with certain authorities under Part 7
- The insertion of miscellaneous provisions relating to the employment of TfNSW staff in the Transport Service
- The insertion of a new Schedule 2A which has provisions relating to the Chief Executive of the Independent Transport Safety Regulator and the Chief Investigator of the Office of Transport Safety Investigations

Transport Administration (General) Amendment (Miscellaneous) Regulation 2013

Date of Commencement: 1 July 2013

Amended the Transport Administration (General) Regulation 2005 to make further provision in relation to the operation of Sydney Trains to:

- Make it clear that the regulations do not prevent the establishment of separate funds in relation to the operation of Sydney Trains and NSW Trains
- Provide for the application, to Sydney Trains and NSW Trains, of Independent Pricing & Regulatory Tribunal (IPART) pricing determinations made in respect of railway passenger services supplied by RailCorp

Transport Administration (General) Regulation 2013

Date of Commencement: 1 September 2013

This Regulation remakes, with increases in certain penalties and various other changes, the provisions of the Transport Administration (General) Regulation 2005, which is repealed on 1 September 2013 by section 10 (2) of the Subordinate Legislation Act 1989.

The Regulation makes provision with respect to the following:

- Traffic control on land that is vested in TfNSW, RailCorp, Sydney Trains, NSW Trains, Sydney Ferries or the State Transit Authority
- Sydney Trains, NSW Trains, Transport Cleaning Services and Western Sydney Buses
- Leases, licences and other arrangements relating to the Australian Rail Track Corporation Ltd and matters relating to its staff
- Penalty notices for certain offences

Appendix 2: Government Information (Public Access) Act 2009 (GIPA)

Review of Proactive Release Program - Clause 7(a)

Under section 7 of the Government Information (Public Access) Act 2009 (GIPA), agencies must review their programs for the release of government information to identify the information that can be made publicly available. This review must be undertaken at least once every 12 months.

The information that Sydney Trains makes available on its website includes the following details:

- The punctuality of Sydney Trains' fleet. This information sets out a comparison of the punctuality of Sydney Trains' fleet for the last five business days for the AM and PM peak hour. The published information also sets out punctuality for all suburban and intercity lines dating back to 2002
- Service reliability statistics dating from 2002 to 2014
- Train load statistics up until the latest survey in September 2013
- Safety and security statistics from 2002 to 2013
- Passenger journeys taken by Sydney Trains' customers
- The availability of ticketing systems from 2002 – 2013
- Peak on-time rolling stock incidents
- Daily service interruptions for all Sydney Trains' lines
- Up to date information about trackwork for all Sydney Trains' lines
- Information about the Waratah train fleet

Number of Access Applications Received - Clause 7(b)

- 129 access applications under the GIPA Act (including withdrawn applications but not invalid applications)
- 214 requests for information to be released informally under the GIPA Act

Number of Refused Applications for Schedule 1 Information - Clause 7(c)

During the reporting period Sydney Trains refused a total of one access application because the information requested was information referred to in Schedule 1 to the GIPA Act. With respect to this application information was refused in part.

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

	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	11	4	2	0	0	0	0	1
Members of Parliament	12	0	0	0	0	0	0	1
Private sector business	12	1	0	1	2	0	0	1
Not for profit organisations or community groups	1	0	0	0	0	0	0	0
Members of the public (application by legal representative)	32	4	1	12	0	0	0	1
Members of the public (other)	23	4	4	2	0	0	1	2

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

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

	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*	30	4	1	6	0	0	0	0
Access applications (other than personal information applications)	56	8	5	6	2	1	0	5
Access applications that are partly personal information applications and partly other	2	2	1	3	0	0	1	0

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

The total number of decisions in Table B should be the same as Table A.

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	6
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	6
Invalid applications that subsequently became valid applications	2

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

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

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

	Number of occasions when application not successful
Responsible and effective government	3
Law enforcement and security	3
Individual rights, judicial processes and natural justice	14
Business interests of agencies and other persons	1
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	101
Decided after 35 days (by agreement with applicant)	29
Not decided within time (deemed refusal)	5
Total	135⁴

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

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	2	0	2
Review by ADT	0	0	0
Total	2	0	2

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

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

	Number of applications for review
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

⁴ Includes applications received in the previous financial year

Appendix 3: Privacy and Personal Information Protection Act, 1998

Privacy Management Plan

Clause 6 of the Annual Reports (Department) Regulation 2010 requires NSW Government Agencies to provide a statement of the action taken by the Department in complying with the requirements of the Privacy and Personal Information Protection Act 1998 (PPIP Act) and provide statistical details of any review carried out under Part 5 of the PPIP Act.

Sydney Trains holds the following personal and health information about our customers:

- Personal and health information about customers who have been involved in incidents, such as falls, on Sydney Trains' property. This information is collected by Sydney Trains from its customers to assist them during and after incidents
- Personal information about customers who have witnessed incidents on Sydney Trains' property and provided their details to Sydney Trains
- Personal information about customers who have lost property on Sydney Trains' fleet and other railway land
- Personal information about customers who have been issued with infringements such as fair evasion

Sydney Trains, along with the other agencies in the transport cluster, have been working towards creating greater consistency in the management of personal information to achieve the best possible results for members of the public. This work is demonstrated in the review and development of the privacy management plans for the transport agencies. The new plans are designed to provide the highest standard of information about the compliance with the information protection and health records principles in the PPIP and Health Records and Information Privacy Act (HRIP Act).

The new Privacy Management Plan for Sydney Trains will be released later in 2014 which will include: information about the development of policies and practices to ensure compliance by the agency with the requirements of the PPIP Act and the HRIP Act 2002, if applicable; the communication of those policies and practices to persons within Sydney Trains; the procedures that the agency adopts in relation to any internal review under Part 5 of the PPIP Act; and such other matters as are considered relevant by Sydney Trains in relation to privacy and the protection of personal information held by the agency.

Questions, compliments or complaints about the management of personal and health information should be initially directed to the Privacy Officer at TfNSW who will direct the inquiry to the relevant agency. The privacy officer can be contacted as follows:

Post: The Privacy Officer
Information & Privacy Unit
TfNSW
PO Box K659
Haymarket NSW 1240

Phone: 02 8202 3768

Email: privacy@transport.nsw.gov.au

Privacy Reviews

During 2013 – 14 Sydney Trains did not receive any applications for the reviews of conduct relating to the use, access or release of personal information.

Appendix 4: Public Interest Disclosures Act 1994

All Public Interest Disclosures (PID) received by Sydney Trains during 2013-14 were presented to the ombudsman.

1. Number of public officials who have made a PID to the public authority: 7
2. Number of PIDs received by the public authority in total: 25
3. Number of PIDs received by the public authority relating to each of the following:
 - Corrupt Conduct: 25
 - Maladministration: 0
 - Serious and substantial waste of public money: 0
 - Government information contravention: 0
4. Number of PIDs finalised: 28
5. Whether the public authority has a PID Policy in place: Yes
6. Actions taken to ensure staff awareness responsibilities under s6E(1)(b) of the Act has been met: PID information contained in Policy & Procedures; Code of Conduct; links contained in intranet; information communicated via briefing papers and staff communication.

Appendix 5: Digital Information Security Policy Compliance Attestation

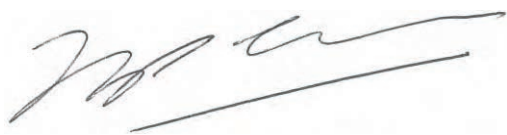
Appendix A – Annual Attestation Statement

I, Howard Collins, am of the opinion that Sydney Trains had an Information Security Management System in place during the financial year being reported on consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Howard Collins, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of Sydney Trains are adequate for the foreseeable future.

I, Howard Collins, am of the opinion that all Public Sector Agencies, or part thereof, under the control of Sydney Trains with a risk profile sufficient to warrant an independent Information Security Management System have developed an Information Security Management System in accordance with the Core Requirements of the Digital Information Security Policy for the NSW Public Sector, except for the requirement to implement an information classification and labelling scheme. Implementation, as required by the Policy, is in progress.

I, Howard Collins, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, certified compliance with AS/NZS ISO/IEC 27001 Information technology – Security techniques – Information security management systems – Requirements had been maintained by all or part of Sydney Trains and all or parts of any Public Sector Agencies under its control.



Howard Collins OBE
Chief Executive,
Sydney Trains

Appendix 6: Internal Audit Risk Management Disclosure

INTERNAL AUDIT AND RISK MANAGEMENT STATEMENT FOR THE 2013-2014 FINANCIAL YEAR FOR SYDNEY TRAINS


I, Howard Collins am of the opinion that Sydney Trains has internal audit and risk management processes in operation that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Howard Collins am of the opinion that the Audit and Risk Committee for Sydney Trains is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- P. Housden Independent Chair (4 year term of appointment with effect from 1 October 2013)
- F. Barr Independent Member (2 year term of appointment with effect from 1 October 2013)
- T. Davies Independent Member (3 year term of appointment with effect from 1 October 2013)

These processes provide a level of assurance that enables the senior management of Sydney Trains to understand, manage and satisfactorily control risk exposures.

As required by the policy, I have submitted an Attestation Statement outlining compliance with the policy to Treasury on behalf of the Treasurer.



Howard Collins OBE
Chief Executive
Sydney Trains

Appendix 7: Insurance Management

Sydney Trains has a comprehensive tailored insurance program in place as part of our risk management strategy.

Our insurance program is reviewed annually in consultation with our appointed insurance brokers to protect against insurable risks. These risks could affect:

- Our operations
- Our legal liabilities to third parties
- Existing assets and those under construction

We transfer insurable risks by purchasing insurance through the commercial insurance market with established and financially stable insurers.

Appendix 8: Performance of Senior Executives

Transport Senior Service Level ⁵	Female	Male	Total	Average of TRP	% of Total Employee related expenditure relating to Senior Executives
Senior Service Level 2	10	36	46	\$ 226,848	2.0%
Senior Service Level 3	3	10	13	\$ 263,616	
Senior Service Level 4	-	15	15	\$ 302,431	
Senior Service Level 5	-	3	3	\$ 398,053	
Senior Service Level 6	1	3	4	\$ 448,563	
Grand Total	14	67	81		

Reflects the Transport Senior Service population Level 2 to Level 6 identified for transition to Executive Service following introduction of the proposed Government Sector Employment Alignment Legislation. 325 Senior Service Level 1 staff are not included in this profile.

⁵ TfNSW officers operating with Sydney Trains

Appendix 9: Workforce Diversity

Trends in Representation of Workforce Diversity Groups

Workforce Diversity Group	Benchmark/ Target	2013 14
Women	50%	16.2%
Aboriginal and Torres Strait islanders	2.6%	0.8%
People whose first language as a child was not English	19%	15.1%
People with Disability	N/A	2.2%
People with disability requiring work-related adjustments	1.5%	0.5%

Trends in Distribution of Workforce Diversity Groups

Workforce Diversity Group	Benchmark/ Target	2013 14
Women	100	94
Aboriginal and Torres Strait islanders	100	89
People whose first language as a child was not English	100	98
People with Disability	100	101
People with disability requiring work-related adjustments	100	100

Note 1: A Distribution Index of 100 indicates that the centre of the distribution of the Workforce Diversity group across salary levels is equivalent to that of other staff. Values less than 100 indicate that the Workforce Diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some case the index may be more than 100, indicating that Workforce Diversity group is less concentrated at lower salary levels.

Note 2: The Index is more calculated where Workforce Diversity group or non-Workforce Diversity group numbers are less than 20.

Appendix 10: Work Health and Safety

Sydney Trains' Work Health and Safety (WHS) responsibilities are managed through its Safety Management System, which is also the vehicle by which rail safety obligations are managed.

Throughout the year Sydney Trains held a self-insurer license under the Workers Compensation Act 1987 (NSW).

Workers compensation claims are managed through the Workers Compensation Unit of Transport Shared Services.

Sydney Trains was not the subject of any WorkCover prosecution during the 2013-14 year.

Sydney Trains runs comprehensive health and wellness programs for its employees throughout the year.

Appendix 11: Consumer Response

Sydney Trains commenced operations on 1 July 2013, managing stations, trains and maintenance operations within the area bounded by Berowra, Emu Plains, Macarthur, Bondi Junction and Waterfall.

Sydney Trains customers lodged a total of 29,422 complaints during our first year of operation.

For purposes of like-with-like comparison with the previous year's feedback, 2012-13's data for CityRail was considered with the areas now under the management of NSW Trains removed from the count.

As a result, 21,618 complaints logged for 2012-13 within the area, which is managed by Sydney Trains.

Key Performance Indicators (KPI) Categories showing a decrease in complaints from 2012-13 were:

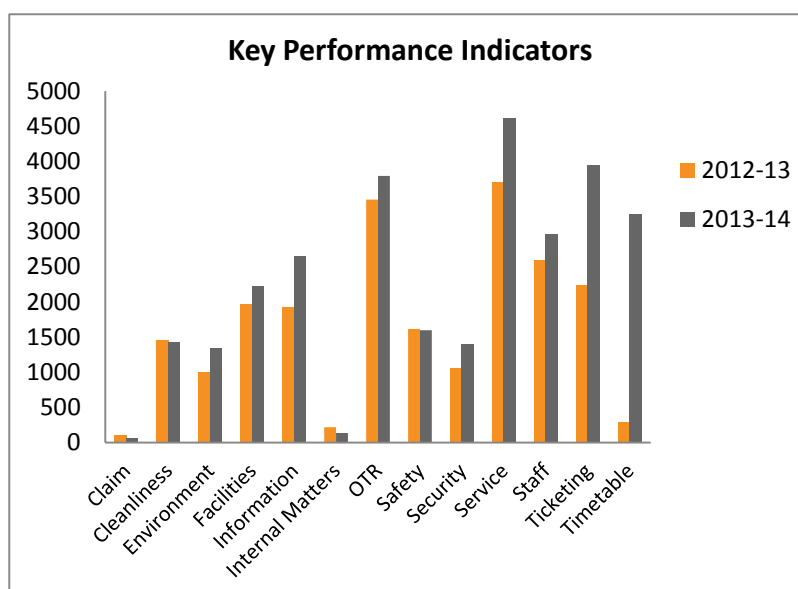
- Claims
- Cleanliness
- Internal matters
- Safety

The introduction of the new timetable in October 2013 brought major changes to public travel patterns, and was consequently not universally welcomed. While a certain amount of resistance is to be expected during the implementation of a new timetable, the level of complaints was unprecedented with 3245 complaints logged in the 2013-14 financial year. Spike in complaints at the time of launch normalised by January 2014, with people getting used to the new timetable.

The KPI Category Service, dealing with levels of comfort and convenience experienced by our customers, was the greatest source of customer dissatisfaction. This KPI rose by nearly 25 per cent from the previous⁶ financial year's totals, from 3706 to 4621. On-board temperatures were the biggest single cause of complaint in this category, with 1062 complaints about air-conditioning or its absence.

Ticketing complaints showed an overall increase of 76 per cent from the previous year's totals, with 3951 issues logged. Nearly half of the year's complaints,

1865 of these complaints related to Online Ticketing, while 624 dealt with Ticket Disputes at Ticket Offices. Most of these complaints dealt with difficulties remembering passwords, registering tickets or obtaining a replacement for a lost ticket.



OTR was the third-highest category, with 3793 complaints lodged. A significant portion of this can be accounted for by major network disruptions in November 2013 (636 complaints logged) and March 2014 (312 complaints), as well as operational difficulties around the introduction of the new timetable in October 2013 (346 complaints).

Issue Type	Total
Complaint	29,422
Query	10,447
Compliment	2288
Suggestion	1193
Grand Total	43,350

Web Lodgement also increased as a channel for feedback, with 48 per cent of all complaints lodged in this manner. Compliments increased by 39 per cent from the previous year. This increase is significant as compliments only increased by 6 per cent for the same time period two years ago (2012 v. 2013).

⁶ RailCorp figures normalised for Sydney Trains Services

Appendix 12: Multicultural Policies and Services Program

Under the Community Relations Commission and Principles of Multiculturalism Act 2000, TfNSW is required to deliver and report against current multicultural policies and services, which address the Community Relations Commission's (CRC's) Multicultural Planning Framework.

The TfNSW Plan outlines how it will respond to the NSW Government's multicultural objectives, and incorporate multicultural principles into TfNSW processes and systems.

The Plan was developed in consultation with a Transport cluster-wide steering committee, which Sydney Trains is an active member of. The steering committee meets quarterly, monitoring implementation of the Plan and resulting actions. It also leads continuing development of the strategy for prioritising actions across the Transport cluster.

Sydney Trains has adopted the TfNSW plan to ensure its operations reflect the multicultural nature of its staff and the community in which it operates. Sydney Trains staff are reflective of the city we serve, with almost one third from racial, ethnic or ethno-religious minority groups.

Sydney Trains participated in numerous events in the financial year 2013-14, including Harmony Day, Diwali, International Women's Day, Eid Festival and National Aboriginal and Islanders Day Observance Committee (NAIDOC) Week. Participation in these events came from all levels of Sydney Trains. The Chief Executive attended and spoke at events, including Harmony Day and Diwali, which were organised by operational staff. Multicultural initiatives were communicated through internal communications channels, including support of events that the employees participate in. The Employee Resource Groups (ERG) was promoted to the staff encouraging them to attend these forums through internal channels.

Sydney Trains is committed to developing its multicultural credentials further in 2014-15. It will explore the possibility of developing a register of staff with linguistic skills and work more closely with culturally diverse stakeholder groups. It will also continue to aid staff participation in multicultural events and promote these through its communications channels.

Appendix 13: Agreements with the Community Relations Commission

Sydney Trains' Community Relations Unit aims to build and grow sustainable partnerships and relationships with stakeholder groups. These ensure that Sydney Trains is able to conduct activities that are mutually beneficial for both itself and the community.

Developing Relationships with Disabled and Mobility Impaired Groups

In 2012, TfNSW developed its Disability Action Plan in consultation with key personnel across all central divisions and from each of the transport operators.

In addition, TfNSW holds a quarterly Accessible Transport Advisory Committee (ATAC), which comprises delegates from disability groups across NSW. Sydney Trains is an active member of this forum.

Sydney Trains has also met with a number of disability groups individually to develop strategies to improve access to rail services and ensure safety is maintained at all times.

Developing Partnerships with Charities

The Community Relations Unit played a key role in improving Sydney Trains' social responsibility through its Workplace Giving Program (WGP).

Sydney Trains continued its support of its major partner, the Westmead Children's Hospital. In 2013-14 Sydney Trains allowed volunteers to use its stations to raise \$23,000 for the hospital and its staff donated gifts to the hospital for Christmas.

Sydney Trains continued to allow charities to fundraise on its stations, to support causes important to the NSW community. These included large, state-wide fundraisers, such as Cancer Council's Daffodil Day, where 45 per cent of all money raised in Sydney during Daffodil Day 2013 took place on Sydney Trains' stations.

Developing Relationships with Community Members

Sydney Trains engaged with community members including residents, businesses and schools, to inform them about trackwork, construction and other Sydney Trains' activities that affected them.

Sydney Trains also accommodated requests for speakers from community groups, who wanted to understand more about the services provided. This positive community engagement helps raise the profile of Sydney Trains and encourage more people to use our services.

Hosting Overseas Visiting Delegations

Sydney Trains hosted a number of visiting delegations. These visits help build relationships with counterparts from rail entities abroad and allow Sydney Trains to showcase its rail network.

Appendix 14: Environmental Compliance

Sydney Trains did not receive any penalty infringement notices, formal warning letters, clean up or prevention notices from the NSW EPA for its network operations (EPL 12208), the Chullora Ballast Recycling Centre (EPL 7515) or the Bombo Quarry (EPL 79).

Appendix 15: Investment Management Performance

In the period ended 30 June 2014, Sydney Trains invested surplus funds with Westpac Banking Corporation. The interest earned was 3.35 per cent on the funds invested. During the same period, the benchmark NSW Treasury Corporation Hour Glass Investment Facility was 2.92 per cent.

Appendix 16: Implementation of Price Determinations

IPART fare determinations allowed Sydney Trains fares to increase by 1.3 per cent above inflation annually. In January 2014, the Government increased fares in line with the cost of living, with Sydney Trains single fares increasing by 20 cents and weekly tickets by \$1.00.

This increase was not applied to Opal fares, which were not increased during the 2013-14 year.

Appendix 17: Credit Card Certification

Credit card use in Sydney Trains has been in accordance with the requirements of the Premier's Memorandum and the Treasurer's directions.

Appendix 18: Payment of Accounts

Outstanding by age at the end of each quarter

Quarter	Current (i.e. within due date) \$M	Less than 30 days overdue \$M	Between 30 and 60 days overdue \$M	Between 60 and 90 days overdue \$M	More than 90 days overdue \$M
September 2013	43.2	5.8	0.1	0	0.2
December 2013	25.6	4.8	0	0	0.2
March 2014	33.7	2.1	0.6	0.1	0.1
June 2014	57.2	0.7	0.8	0.1	0.1
Small Business Suppliers					
September 2013	0.6	0	0	0	0
December 2013	0.4	0	0	0	0
March 2014	0.3	0	0	0	0
June 2014	0.4	0	0	0	0

Accounts paid on time within each quarter

Measure	Sept 13	Dec 13	Mar 14	Jun 14
Number of accounts due for payment	32,207	32,683	26,327	31,530
Number of accounts paid on time	29,161	29,316	22,773	28,119
Actual % accounts paid on time	90.5%	89.7%	86.5%	89.2%
\$ amount of accounts due for payment	\$488.5 m	\$609 m	\$578.2 m	\$655.8 m
\$ amount of accounts paid on time	\$436.3 m	\$539 m	\$442.2 m	\$511 m
Actual % accounts paid on time (based on \$)	89.3%	88.5%	76.47%	77.92%
Number of payments for interest	0	1	3	10
Interest paid on overdue accounts	\$0	\$8908	\$92	\$1740
Small Business Suppliers				
Number of accounts due for payment	728	741	564	755
Number of accounts paid on time	682	668	522	747
Actual % accounts paid on time	93.7%	90.2%	92.6%	98.9%
\$ amount of accounts due for payment	\$4 m	\$2.9 m	\$2.5 m	\$2.9 m
\$ amount of accounts paid on time	\$3.9 m	\$2.7 m	\$2.4 m	\$2.9 m
Actual % accounts paid on time (based on \$)	97.6%	93.4%	95.8%	97.5%
Number of payments for interest	1	1	20	0
Interest paid on overdue accounts	\$21	\$46	\$766	\$0

Appendix 19: Grants to Non-government Community Organisations

Sydney Trains paid the NSW Railway and Tramway Ex- services Association a grant of \$750 during 2013-14, being an annual contribution to the Association. The target group benefiting from the grant are ex- railway employees.

Appendix 20: Overseas Travel

Overseas Travel by Sydney Trains Officers including senior service officers employed by TfNSW, operating with Sydney Trains

Officer Name	Travel Period	Destination	Purpose of Travel
Lynn Herisson	11 August - 18 August	United Kingdom	To meet underwriters for the placement of the annual liability and property insurance renewal
Peter Handel	26 August - 9 September	China	For the rolling stock PPP contract: to undertake quality assurance and compliance review of the Waratah train built at the Changchun Railway Vehicles Co. Ltd. (CRC) in conjunction with Downer EDI Rail prior to the shipment of train cars from China to Australia
Howard Collins	26 August - 10 September	United Kingdom	To attend 90th Metropolitan Railway Assembly, International Association Of Public Transport, (UIPT)
Rick Nabkey	4 October - 18 October	China	For the rolling stock PPP contract: to witness Waratah Re-Qualification Testing at CRC
Victor Tapia	4 October - 11 October	China	For the rolling stock PPP contract: to witness Waratah Re-Qualification Testing at CRC
Guy Collishaw	12 November - 20 November	China	For the rolling stock PPP contract: to undertake quality assurance and compliance review of the Waratah train build at the Changchun Railway Vehicles Co. Ltd. (CRC) in conjunction with Downer EDI Rail prior to the shipment of train cars from China to Australia
Peter Handel	20 November - 3 December	China	For the rolling stock PPP contract: to undertake quality assurance and compliance review of the Waratah train build at the Changchun Railway Vehicles Co. Ltd. (CRC) in conjunction with Downer EDI Rail prior to the shipment of train cars from China to Australia
Peter Handel	17 February - 27 February	China	For the rolling stock PPP contract: to undertake project demobilisation and closure review/audit
Anthony Eid	13 May - 16 May 21 May - 23 May	United Kingdom & Canada	To attend Nova Phase 16 Annual Meeting in Toronto and ISBeRG Phase 4 Meeting in London

Appendix 21: Payment to Consultants

Consultant	Description of Project	Costs (\$)
Contracts of \$50,000 or more		
Management Services		
Aquasia Pty Ltd	Assist in developing strategy for sale of assets	\$176,715
Kreab Gavin Anderson	Develop strategic communication plan	\$80,000
Diamond Communication Services Pty Ltd	Internal communication strategy for NSW Trains*	\$98,000
Conrad Consulting & Capital Pty Limited	Develop and implement an integrated media, stakeholder engagement and staff communication for NSW Trains*	\$160,500
University of Wollongong	Provide strategic advice on operational aspects of business processes	\$71,775
Total contracts of \$50,000 or more	(5 contracts)	\$586,990
Total contracts of \$50,000 or less	(2 contracts)	\$55,009
Total expenditure for 2013-14		\$641,999

*The consultancy costs were paid by Sydney Trains

Appendix 22: Waste Reduction

Sydney Trains continued to demonstrate leadership and commitment to implementing the principles of the NSW Government's Waste Reduction and Purchasing Policy (WRAPP) by promoting the waste hierarchy of 'reduce – reuse – recycle', and by purchasing recycled or part-recycled products when appropriate. The Sydney Trains Pitt Street office has adopted this approach, using a tri-waste separation system, while providing opportunities for managing alternative streams of building and operational waste. WRAPP has been recently superseded by the NSW Government Resource Efficiency Policy, and Sydney Trains is continuing to monitor its waste streams to maintain compliance with these ongoing reporting requirements (see below for details).

Sydney Trains has implemented a recycling and/or reuse strategy for old RailCorp-branded resources during the transition and reform process, with much of the old uniforms and clothing sent to Mission Australia's Big Heart Exporting Program and/or Big Heart Op-Shop Program.

The Environment Division has also undertaken detailed behavioural research to evaluate the most operationally-efficient and customer-friendly recycling systems for stations. Building on this research, it is anticipated that many of the existing waste receptacles on stations will be replaced with modern waste management systems as part of the Station Refresh program.

Appendix 23: NSW Government Resource Efficiency Policy (GREP)

In July 2014, the NSW Government released its Resource Efficiency Policy (GREP), which replaces the NSW Government Sustainability Policy and supersedes the Waste Reduction and Purchasing Policy (WRAPP). Compliance with GREP is mandatory for all general government sector agencies on a whole-of-cluster basis, while local government, state-owned corporations, public trading enterprises and public financial enterprises are strongly encouraged to adopt the policy.

In its plan to becoming a world-class organisation, Sydney Trains is committed to developing sustainability and resource efficiency programs that go beyond its compliance obligations under the GREP. This includes a commitment to undertake annual reporting on specific measures such as:

- Information on our energy and electricity consumption
- Energy efficiency projects undertaken during the reporting year
- Potable water consumption
- Information on our top three waste streams.

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6 Abbreviations and Acronyms

ATAC	Accessible Transport Advisory Committee
CRC	Community Relations Commission
EMS	Environment Management System
ERG	Employee Resource Groups
GIPA	Government Information (Public Access)
GREP	Government Resource Efficiency Policy
HAMS	Heritage Asset Management Strategy
HRIP	Health Records and Information Privacy Act
IPART	Independent Pricing & Regulatory Tribunal
KPI	Key Performance Indicators
LTIFR	Lost Time Injury Frequency Rate
MDBF	Mean Distance Between Failure
NAIDOC	National Aboriginal and Islanders Day Observance Committee
OSI	Operational Safety Index
OTR	On-time Running
PID	Public Interest Disclosures
PPIP	Privacy and Personal Information Protection Act
PPP	Public-Private Partnership
SEQR	Safety, Environment, Quality & Risk
SPACE	Safety, Pride, Accountability, Collaboration, Excellence
SPAD	Signal Passed At Danger
TfNSW	Transport for New South Wales
TRIFR	Total Recordable Injury Frequency Rate
WGP	Workplace Giving Program
WHS	Workplace Health and Safety
WRAPP	Waste Reduction and Purchasing Policy

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