Sydney Trains Annual Report

NSW GOVERNMENT

Volume 2 | 2021–2022

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Sydney Trains

Annual Financial Statements

for the year ended 30 June 2022

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Statement by the Chief Executive

In relation to the financial statements for the year ended 30 June 2022

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018*, I declare that the accompanying financial statements, read in conjunction with the notes thereto:

(a) presents fairly the financial position of Sydney Trains as at 30 June 2022 and of its financial performance and cash flows for the year ended 30 June 2022

(b) have been prepared in accordance with the provisions of *Government Sector Finance Act 2018*, the Government Sector Finance Regulation 2018, Australian Accounting Standards, which includes Australian Accounting Interpretations and the Treasurer's Directions.

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.

At the date of signing this statement, there are reasonable grounds to believe that Sydney Trains will be able to pay its debts as and when they become due and payable.

Matthew Longland
Chief Executive

7 October 2022

Statement of Comprehensive Income for the year ended 30 June 2022

	Note	2021-22 $'000	2020-21 $'000
Income			
Sale of goods and services from contracts with customers	3.1	1,219,514	1,568,467
Investment revenue	3.2	17,741	13,503
Other revenue		3,478	4,534
Total income		**1,240,733**	**1,586,504**
Expenses			
Operating expenses			
- Employee related expenses	4.1	1,394,036	1,429,007
- Personnel services expenses	4.3	116,519	139,143
Other operating expenses	4.4	1,996,218	1,907,952
Depreciation and amortisation	8.2,9.2,14.1	334,186	143,134
Finance costs	4.6	212,481	181,031
Total expenses		**4,053,440**	**3,800,267**
Deficit from operations before Government and other contributions		**(2,812,707)**	**(2,213,763)**
Government and other contributions	3.3	2,813,820	2,189,339
Surplus/ (deficit) from operations for the year		**1,113**	**(24,424)**
Impairment losses on financial assets		(39)	203
Other gains/ (losses)	4.7	6,291	(2,115)
Net result for the year		**7,365**	**(26,336)**
Other comprehensive income			
Items that may be reclassified to net result			
Net gain/ (loss) in foreign exchange		1,330	(900)
Net gain in commodity swaps		5,738	8,500
Hedge reserve reclassification		276	307
Items that will not be reclassified to net result			
Superannuation actuarial gains on defined benefit schemes	21	231,145	79,700
Total other comprehensive income for the year		**238,489**	**87,607**
Total comprehensive income for the year		**245,854**	**61,271**

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

Statement of Financial Position as at 30 June 2022

	Note	30.6.2022 $'000	30.6.2021 $'000
Assets			
Current assets			
Cash and cash equivalents	5.1	415,425	400,494
Trade and other receivables	6.1	300,001	257,981
Inventories	7	22,275	20,481
Derivative financial instruments		8,597	2,399
Total current assets		746,298	681,355
Non-current assets			
Inventories	7	38,319	33,537
Property, plant and equipment	8	250,472	264,544
Right of use assets	14	4,476,895	2,063,909
Intangible assets	9	107,746	106,160
Derivative financial instruments		409	602
Total non-current assets		4,873,841	2,468,752
Total assets		**5,620,139**	**3,150,107**
Liabilities			
Current liabilities			
Trade and other payables	10	369,589	369,996
Borrowings	11	218,328	20,452
Provisions	12	464,412	509,345
Derivative financial instruments		406	1,017
Contract liabilities	13	1,181	697
Total current liabilities		1,053,916	901,507
Non-current liabilities			
Borrowings	11	4,406,673	2,101,631
Provisions	12	391,747	621,852
Derivative financial instruments		-	451
Contract liabilities	13	585	1,099
Total non-current liabilities		4,799,005	2,725,033
Total liabilities		**5,852,921**	**3,626,540**
Net liabilities		**(232,782)**	**(476,433)**
Equity			
Contributed equity	15.1	1,181,977	1,184,180
Reserves		7,093	(251)
Retained earnings		(1,421,852)	(1,660,362)
Total equity		**(232,782)**	**(476,433)**

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

Statement of Changes in Equity for the year ended 30 June 2022

	Note	Contributed equity $'000	Retained earnings $'000	Other reserves $'000	Total $'000
Balance at 1 July 2021		**1,184,180**	**(1,660,362)**	**(251)**	**(476,433)**
Surplus for the year		-	**7,365**	-	**7,365**
Other comprehensive income					
Net gain in foreign exchange		-	-	1,606	1,606
Net gain in commodity swaps		-	-	5,738	5,738
Superannuation actuarial gains on defined benefit schemes		-	231,145	-	231,145
Total other comprehensive income for the year		**-**	**231,145**	**7,344**	**238,489**
Total comprehensive income for the year		**-**	**238,510**	**7,344**	**245,854**
Transactions with owners in their capacity as owners					
Decrease in net assets from equity transfers (contribution by owners)	15.2	(2,203)	-	-	(2,203)
Balance at 30 June 2022		**1,181,977**	**(1,421,852)**	**7,093**	**(232,782)**
Balance at 1 July 2020		**1,184,180**	**(1,713,726)**	**(8,158)**	**(537,704)**
Deficit for the year		**-**	**(26,336)**	**-**	**(26,336)**
Other comprehensive income					
Net loss in forward foreign exchange		-	-	(593)	(593)
Net gain in commodity swaps		-	-	8,500	8,500
Superannuation actuarial gains on defined benefit schemes		-	79,700	-	79,700
Total other comprehensive income for the year		**-**	**79,700**	**7,907**	**87,607**
Total comprehensive income for the year		**-**	**53,364**	**7,907**	**61,271**
Transactions with owners in their capacity as owners					
Increase/ (decrease) in net assets from equity transfers (contribution by owners)	15.2	-	-	-	-
Balance at 30 June 2021		**1,184,180**	**(1,660,362)**	**(251)**	**(476,433)**

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

Statement of Cash Flows for the year ended 30 June 2022

	Note	2021-22 $'000	2020-21 $'000
Cash flows from operating activities			
Cash received			
Passenger services		373,259	514,504
Other receipts from customers and others		1,096,668	1,179,986
Government contributions - operating		2,792,643	2,169,819
Interest received		359	262
Total cash received		4,262,929	3,864,571
Cash used			
Payments to suppliers and others		(2,328,948)	(2,157,456)
Payments to employees		(1,496,853)	(1,477,818)
Interest paid		(187,055)	(181,091)
Total cash used		(4,012,856)	(3,816,365)
Net cash flows from operating activities	5.2	**250,073**	**48,206**
Cash flow from investing activities			
Cash received			
Government contributions - capital		20,452	16,422
Total cash received		20,452	16,422
Cash used			
Property, plant and equipment and intangible assets acquisitions		(29,506)	(16,834)
Total cash used		(29,506)	(16,834)
Net cash flows from investing activities		**(9,054)**	**(412)**
Cash flows from financing activities			
Cash received			
Proceeds from borrowings		-	55,000
Total cash received		-	55,000
Cash used			
Repayment of borrowings		-	(55,000)
Payment of lease liabilities		(226,088)	(18,656)
Total cash used		(226,088)	(73,656)
Net cash flows from financing activities		**(226,088)**	**(18,656)**
Net (decrease)/ increase in cash and cash equivalents		**14,931**	**29,138**
Cash and cash equivalents at beginning of year		400,494	371,356
Cash and cash equivalents at end of year	5.1	**415,425**	**400,494**

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

Note 1 Reporting entity and financial statements

(a) Reporting entity

Sydney Trains is a Statutory Authority constituted on 7 December 2012 under the *Transport Administration Act 1988 (NSW)*. It is domiciled in Australia and its principal office is at 231 Elizabeth Street, NSW 2000. Sydney Trains' objective is to deliver safe, customer focused, reliable and clean rail 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 operates services across metropolitan Sydney and the area bounded by Berowra, Emu Plains, Macarthur and Waterfall. Sydney Trains is responsible for the maintenance of rail assets and has a contract with NSW Trains to maintain rolling stock, infrastructure and stations utilised by NSW Trains. Transport Asset Holding Entity of New South Wales (TAHE) is the owner of the metropolitan and country rail network, stations, majority of property and certain rolling stock and provides Sydney Trains with access and licence rights to the assets. Sydney Trains pays access and licence charges in accordance with commercial agreements entered into with TAHE.

Sydney Trains is a controlled entity of Transport for NSW (TfNSW) and TfNSW is a controlled entity of the Department of Transport.

(b) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. Where required, comparative information has been reclassified to achieve consistency in disclosure with the current year.

(c) Authorisation of the financial statements

The financial statements were authorised for issue on the date 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.

(e) Impact of COVID-19 on financial reporting

The COVID-19 pandemic continues to impact the operations of Sydney Trains in the current financial year. Sydney Trains received grant funding of $744.0 million (2021: $662.0 million) which offsets the impact on both revenue and expense. The revenue was impacted by $675.2 million (2021: $600.3 million) mainly relating to passenger services and additional expense of $68.8 million (2021: $61.7 million) mainly relating to cleaning.

Refer to Note 3.1, Note 3.3 and Note 4.4.

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 *Government Sector Finance Act 2018 (GSF Act)*, the Government Sector Finance Regulation 2018 and Treasurer's Directions issued under the GSF Act.

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 2.9(ii) and 2.11(ii). Certain liabilities are calculated on a present value basis such as leave entitlements and other provisions.

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.

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 its operations. NSW Treasury has issued a letter of comfort to Sydney Trains in the current financial year to ensure its ongoing viability for at least 12 months from the date of issue of the accompanying Independent Auditor's Report.

2.1.2 Superannuation on annual leave loading

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

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

2.2 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, Note 12, Note 14, Note 18 and Note 21.

Note 2 Summary of significant accounting policies (continued)

2.3 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:

(i) Sale of goods and services from contracts with customers

Passenger services revenue
Proceeds from OPAL train trips are reported as passenger services revenue. Revenue is recognised when Sydney Trains satisfies its performance obligations of providing the rail passenger services to the customer over time. Passenger services revenue is measured at the transaction price which is the price per train trip and includes any discounts provided to customers.

OPAL cards are managed by TfNSW. Remittance of OPAL passenger revenue is on the basis of journeys taken based on the output from the electronic ticketing system as agreed with TfNSW. The payments are typically due when the passenger journey is undertaken by the customer.

Inter entity cost recovery
Inter entity cost recoveries are reimbursements from entities in the transport cluster, for costs incurred by Sydney Trains in providing services to the transport cluster. Revenue is recognised when Sydney Trains satisfies its performance obligation of transferring the promised services to the customer. Sydney Trains uses the input method to measure progress based on the costs incurred and the revenue is recognised over time. The payments are typically due when the service is provided.

The revenue is measured at the transaction price agreed under contract. The transaction price is allocated to the distinct performance obligations based on the agreed prices. No element of financing is deemed present as payments are due when service is provided.

Sale of assets and goods
Revenue from sale of assets or other goods is recognised when Sydney Trains satisfies its obligation by transferring the promised goods or assets. Sydney Trains satisfies its performance obligations when control of the asset or good is transferred to the customer. The payments are typically due when at the time or within one month of the promised goods or assets being transferred.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Rendering of other services
Revenue from rendering of services is recognised when Sydney Trains satisfies its performance obligation by transferring the promised services to the customer over time. Amongst other services, Sydney Trains provides services in relation to advertising and construction activities. The payments are typically due within one month of the service being performed or as agreed with the customer.

The revenue is measured at the transaction price agreed under contract. The transaction price is allocated to distinct performance obligations based on the agreed prices. No element of financing is deemed present as payments are due when service is provided.

(ii) Government and other contributions

Capital contributions
Income from contributions to acquire/ construct a recognisable non-financial asset to be controlled by Sydney Trains is recognised when Sydney Trains obtains control of the cash (i.e. upon receipt).

Note 2 Summary of significant accounting policies (continued)

2.3 Income (continued)

(ii) Government and other contributions (continued)

Personnel services benefit
Personnel services benefit is the long service leave and superannuation on-costs provided free of charge by the Crown for staff employed by Transport Service of New South Wales (TS). Sydney Trains recognises the revenue when incurred.

Volunteer services
Sydney Trains has elected not to recognise revenue from volunteer services in accordance with Treasury mandates.

Other contributions
Operating contributions are grants without sufficiently specific performance obligations. Sydney Trains recognises the income when it obtains control over the granted assets (e.g. cash).

The presentation of the statement of comprehensive income includes subtotals for the result from operations before and after Government and other 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.

(iii) Investment revenue

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

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

2.4 Personnel services expenses

Personnel services expenses include salaries and wages, leave entitlements and superannuation for contract staff employed by Transport Service of New South Wales (TS). Sydney Trains recognises the expenses when incurred. Refer Note 4.3.

2.5 Depreciation and amortisation

(i) Depreciation

Each item of property, plant and equipment 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.

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.

Note 2 Summary of significant accounting policies (continued)

2.5 Depreciation and amortisation (continued)

(i) Depreciation (continued)

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

	Years
Plant and machinery	4 – 22
Rolling stock	32 – 35
Leased buildings	3 – 100
Leased plant and machinery	1 – 25
Leased rolling stock	32 – 35

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.

Right of use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Where Sydney Trains obtains ownership of the underlying leased asset or if the cost of the right of use asset reflects that Sydney Trains will exercise a purchase option, Sydney Trains will depreciate the right of use asset overs its useful life.

(ii) 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.

2.6 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 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.

Note 2 Summary of significant accounting policies (continued)

2.7 Trade and other receivables

Trade receivables are measured initially at fair value and subsequently at invoiced cost less an allowance for impairment/ expected credit losses, 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. Trade receivables that do not contain a significant financing component are measured at the transaction price.

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.

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 or allowance for expected credit losses 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.

Sydney Trains holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method subsequent to initial recognition. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Refer Note 6.

2.8 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.

Note 2 Summary of significant accounting policies (continued)

2.9 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:
- has a useful life materially different from that of the prime asset and therefore requires separate replacement during the life of the prime asset
- is significant enough to justify separate tracking
- 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 rotable 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.

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

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 is classified according to the nature of the asset.

(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.

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.

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 such as minor plant and equipment are measured at depreciated historical cost as a proxy for fair value. Sydney Trains has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Specialised assets are measured at depreciated replacement cost. Depreciated replacement cost is based on the incremental optimised replacement cost. Optimised replacement cost is the minimum cost in the normal course of business to replace the existing asset with a technologically modern equivalent asset with the same economic benefits after adjusting for over design, over capacity and redundant components.

Note 2 Summary of significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

(ii) Measurement (continued)

Property, plant and equipment is revalued, at least once every five years to ensure the carrying amount of the asset does not materially differ to its fair value in accordance with TPP 21-09 *Policy and Guidelines Paper: Valuation of Physical Non-Current Assets at Fair Value* (TPP 21-09). 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. An interim revaluation in accordance with TPP 21-09 will be undertaken as appropriate where a cumulative movement in indexes exceeds 12 per cent or is material.

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, in which case 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.

(iii) 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.

(iv) Impairment of property, plant and equipment

As Sydney Trains is a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise given that the recoverable amount test for non-cash generating assets is the higher of fair value less costs of disposal and depreciated replacement cost (where depreciated replacement cost is also the fair value).

Sydney Trains assesses at each reporting date for any indication that an asset may be impaired. If an indication exists, Sydney Trains assesses the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to the recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13 *Fair Value Measurement*.

Note 2 Summary of significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

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

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

2.10 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:

- can be measured reliably
- exceeds the capitalisation threshold of $5,000
- 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) 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.

(iv) Impairment of intangible assets

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

Note 2 Summary of significant accounting policies (continued)

2.11 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, 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 or if Sydney Trains transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement and either:

- Sydney Trains has transferred substantially all the risks and rewards of the assets, or
- Sydney Trains has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

When Sydney Trains has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Financial liabilities are derecognised when the contractual obligation is discharged, 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 through the profit or loss.

The fair value of derivatives is 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.

Note 2 Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

(iii) Hedging (continued)

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.

(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. For other cash flow hedges, the deferred gain or loss is reclassified from the Hedging Reserve to the statement of comprehensive income accordingly. 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. For all hedges:

- 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
- the hedged forecast transaction remains highly probable.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the forward foreign exchange and commodity swap contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). Sydney Trains has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, Sydney Trains compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Sydney Trains' hedges are 100 per cent effective. Generally, hedge ineffectiveness can arise from:

- differences in the timing of the cash flows of the hedged items and the hedging instruments
- the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

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 19.

Note 2 Summary of significant accounting policies (continued)

2.12 Offsetting financial assets and liabilities

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

2.13 Impairment of financial assets

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

For other financial assets, the expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase credit risk since initial recognition, the expected credit losses are based on default events possible within the next 12 months of the reporting period. If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of default. In general, Sydney Trains considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. However, where there is a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime expected credit losses.

For trade and other receivables, Sydney Trains applies the simplified approach in calculating expected credit losses. Sydney Trains recognises a loss allowance based on lifetime expected credit losses at each reporting date. Sydney Trains has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to each receivable.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

2.14 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.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to Sydney Trains and other amounts. A payable is recognised on the statement of financial position when a present obligation arises under a contract.

Trade and other payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using effective interest method. 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.

Payables are derecognised when the obligation expires or is discharged, cancelled or substituted. Any gain or loss arising when a payable is settled or transferred is recognised in the statement of comprehensive income.

Note 2 Summary of significant accounting policies (continued)

2.15 Trade and other payables (continued)

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 10.

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, restoration of leased premises and ballast disposal.

A provision is recognised when:
- there is a likely present legal or constructive obligation as a result of a past event; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- 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. When discounting is used, the increase in the provision due to the passage of time (i.e. the unwinding of the discount rate) is recognised as a finance cost.

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 present value of the amount expected to be paid when the liability is settled, provided it is expected to be settled wholly within twelve months of the end of the reporting period. 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 *Provisions, Contingent Liabilities and Contingent Assets* 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.

Note 2 Summary of significant accounting policies (continued)

2.16 Provisions (continued)

(ii) Employee benefits (continued)

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes payroll tax, superannuation and fringe benefits tax.

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 are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation, workers' compensation 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 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 12.

Note 2 Summary of significant accounting policies (continued)

2.17 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 dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Recognition and measurement

(a) As Lessee

Sydney Trains assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Sydney Trains recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

Sydney Trains recognises a right of use asset for most leases. The right of use asset and corresponding liability are initially measured at the present value of the future lease payments.

(i) Right of use assets

Sydney Trains recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site. Sydney Trains has elected to present right of use assets separately in the statement of financial position.

Subsequent to initial recognition, right of use assets will be measured at cost. The right of use assets are subject to impairment. Sydney Trains assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Sydney Trains estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

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

(ii) Lease liabilities

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

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

Note 2 Summary of significant accounting policies (continued)

2.17 Leases (continued)

Recognition and measurement (continued)

(a) As Lessee (continued)

(ii) Lease liabilities (continued)

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

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

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

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

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

(iv) 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.

(b) As Lessor

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

2.18 Contributed equity

In accordance with TPP 21-08 *Accounting Policy: Contribution by owners made to wholly-owned public sector entities*, a transfer of assets (or liabilities) from (or to) another NSW public sector entity is treated as a contribution by (or distribution to) the Government and recognised as contributed equity.

Refer Note 15.

Note 2 Summary of significant accounting policies (continued)

2.19 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.

2.20 Contract Liabilities

The balance of contract liabilities is impacted primarily by the timing of the provision of the performance obligations and the agreed payment terms under the arrangement.

2.21 Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Refer Note 4.6

2.22 Retained earnings

Retained earnings include all current and prior period retained funds.

2.23 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 *Fair Value Measurement*, 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 18 and 19.

Note 2 Summary of significant accounting policies (continued)

2.24 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 (AASB) that are relevant to Sydney Trains effective for the annual reporting periods ending 30 June 2022. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to Sydney Trains accounting policies. Sydney Trains did not early adopt any new accounting standards and interpretations that are not yet effective in accordance with NSW Treasury mandates.

The following new Accounting Standards and Interpretations apply to Sydney Trains, however, have not been adopted and are not effective at 30 June 2022. The standards are effective for annual reporting periods commencing on or after 1 January 2022.

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	Mar 2020	1 Jan 2022
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments	Jun 2020	1 Jan 2022
AASB 2020-6	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	Aug 2020	1 Jan 2022
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	Mar 2021	1 Jan 2023
AASB 2022-1	Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information	Mar 2022	1 Jan 2023
AASB 2022-3	Amendments to Australian Accounting Standards – Illustrative Example for Not-for-Profit Entities accompanying AASB 15	May 2022	1 Jul 2022

The impact of these standards is not anticipated to be significant.

2.24.1 Change in accounting policy

There is no change to accounting policies in 2021-22. A number of new and revised accounting standards apply for the first time in the current financial year however do not have an impact on Sydney Trains.

Note 3 Income

3.1 Sale of goods and services from contracts with customers

	2021-22 $'000	2020-21 $'000
Passenger services revenue	347,679	480,712
Inter entity cost recovery	582,357	653,192
Construction revenue TAHE	264,165	407,595
Inter entity direct labour cost recovery	3,562	3,925
Other revenue	21,751	23,043
Total sale of goods and services from contracts with customers	**1,219,514**	**1,568,467**

3.2 Investment revenue

Interest	367	264
Rental income	17,374	6,168
Contingent rental income	-	7,071
Total Investment revenue	**17,741**	**13,503**

3.3 Government and other contributions

Operating	2,790,055	2,164,349
Capital	20,452	16,422
Redundancy	-	5,100
Personnel services benefit	724	3,098
Training	2,589	370
Total government and other contributions	**2,813,820**	**2,189,339**

Note 4 Expenses

4.1 Employee related expenses

Employee related expenses include the following items:

	Note	2021-22 $'000	2020-21 $'000
Salaries and wages		1,142,851	1,160,661
Annual leave		99,740	108,021
Long service leave expense/ (expense reversal)		(10,788)	32,030
Superannuation-defined benefit plan	4.2	16,252	16,842
Superannuation-defined contribution plan		103,518	96,399
Workers' compensation		27,900	21,296
Payroll tax and fringe benefits tax		67,990	67,532
Redundancy		6,097	8,147
Other payroll costs		22,067	30,451
Less: Employee related expenses allocated to capital expenditure		(2,753)	(2,517)
Less: Employee related expenses allocated to capital construction*		(78,838)	(109,855)
Total employee related expenses		**1,394,036**	**1,429,007**

**Capital construction is capital expenditure incurred by Sydney Trains on behalf of TAHE. 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

Current service cost		7,995	11,361
Net Interest		8,257	5,481
Total defined benefit superannuation expense	21	**16,252**	**16,842**

4.3 Personnel services expenses

Salaries and wages	87,219	110,091
Annual leave	8,114	9,872
Long service leave expense/(expense reversal)	(103)	2,217
Superannuation-defined benefit plans	790	828
Superannuation-defined contribution plans	8,123	9,896
Workers' compensation	549	281
Payroll tax and fringe benefit tax	5,554	6,725
Redundancy	8,264	2,191
Other payroll costs	35	59
Less: Employee related expenses allocated to capital expenditure	(155)	(75)
Less: Employee related expenses allocated to capital construction*	(1,871)	(2,942)
Total personnel services expenses	**116,519**	**139,143**

**Capital construction is capital expenditure incurred by Sydney Trains on behalf of TAHE. Sydney Trains excludes the personnel services expenses as it is included in other operating expenses (Note 4.4) and recovered as revenue (Note 3.1).*

Note 4 Expenses (continued)

4.4 Other operating expenses

	2021-22 $'000	2020-21 $'000
Other contractors	413,520	504,533
Construction costs	264,165	407,595
External maintenance costs	280,915	276,009
Access charges	187,354	87
Inter agency support services	196,733	72,690
Materials	122,767	109,206
Electricity	111,525	116,631
Plant and equipment	61,151	68,519
Bus hire	45,336	40,953
Computer and communications	136,952	135,401
Property charges	11,257	9,723
Insurance	20,459	16,323
Security costs	26,028	30,754
Motor vehicle expenses	7,845	7,669
Printing & stationery	2,658	2,837
Auditor's remuneration - audit of the financial statements	326	318
Cost of sales	19,225	24,639
Cost of Inventory held for distribution	45,924	45,106
Expenses relating to short-term leases	1,091	856
Variable lease payments not included in lease liabilities	7,786	9,439
Other	33,201	28,664
Total other operating expenses	**1,996,218**	**1,907,952**

4.5 Maintenance expenses

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

Labour	300,418	347,840
Contracted & other non-labour expenditure	783,856	815,811
Total maintenance expenses	**1,084,274**	**1,163,651**

In addition included in construction costs is $206.2 million (2021: $289.7 million) major periodic maintenance which is charged to TAHE and capitalised in TAHE.

4.6 Finance costs

Interest charges	179,341	179,431
Interest expense from lease liabilities	33,222	1,609
Discounting of provisions	(82)	(9)
Total finance costs	**212,481**	**181,031**

Note 4 Expenses (continued)

4.7 Other gains/ (losses)

	2021-22 $'000	2020-21 $'000
Impairment of right of use assets*	-	(2,693)
Gain arising from lease modifications	76	578
Derecognition of right of use assets and liabilities with Property NSW**	6,215	-
Other gains/ (losses)	**6,291**	**(2,115)**

**Sydney Trains did not recognise an impairment loss in 2021-22 (2021: $2.7 million) relating to leased premises as these leases had been derecognised as at 30 June 2022.*

*** The net gain is recognised from the derecognition of the right of use asset and lease liability with Property NSW as at 30 June 2022. Please refer to Note 14 for further details on the derecognition.*

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

	2021-22 $'000	2020-21 $'000
Right of use assets		
Gross carrying value	45,228	-
Less: accumulated depreciation and accumulated impairment provision	(15,099)	-
Net book value	**30,129**	**-**
Lease liabilities	**36,344**	**-**
Net gain/ (loss)	**6,215**	**-**

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	30.6.2022 $'000	30.6.2021 $'000
Cash at bank	415,425	400,494
Total cash and cash equivalents	**415,425**	**400,494**

The above cash and cash equivalents reconcile to the statement of cash flows.

Note 5 Cash and cash equivalents (continued)

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

	30.6.2022 $'000	30.6.2021 $'000
Surplus/ (deficit) for the year	**7,365**	**(26,336)**
Cash capital grants	(20,452)	(16,422)
Depreciation and amortisation	334,185	143,134
Impaired trade receivables expense	39	(203)
Gain/ (loss) on derecognition and write-off of assets	(6,503)	5
Other reclassification adjustments/ discounting	276	3,001
Net movements in assets and liabilities applicable to operating activities:		
Increase in trade and other receivables	(42,055)	(91,716)
Increase in inventories	(6,576)	(162)
(Decrease)/ increase in trade and other payables and provisions	(16,175)	36,351
(Decrease)/ increase in contract liabilities	(31)	554
Net cash flows from operating activities	**250,073**	**48,206**

5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.06.22 Credit Facilities $'000	30.06.22 Unused $'000	30.06.21 Credit Facilities $'000	30.06.21 Unused $'000
Transaction negotiation authority	130,150	130,150	130,150	130,150
Purchasing card facility*	35,000	13,186	35,000	11,102
Borrowing facility - capital	20,000	20,000	-	-
Borrowing facility - liquidity	100,000	100,000	100,000	100,000
Total	**285,150**	**263,336**	**265,150**	**241,252**

** As at 30 June 2022, the purchasing cards issued had a combined limit of $21.8 million (2021: $23.9 million) with a payable of $5.4 million (2021: $7.2 million)*

5.4 Non-cash investing activities

Sydney Trains has vested software/ licences (work in progress) valued at $2.2 million to Transport Asset Holding Entity (TAHE) as at 30 June 2022.

Refer Note 15.2.

Notes to the Financial Statements for the year ended 30 June 2022

Note 6 Trade and other receivables

6.1 Trade and other receivables

	30.6.2022 $'000	30.6.2021 $'000
Current trade and other receivables		
Trade receivables from contracts with customers	217,524	205,753
Other receivables	11,031	19,674
Retained taxes, fees and fines	22,077	24,261
Less: allowance for expected credit losses*	(312)	(263)
Prepayments	49,681	8,556
Total current trade and other receivables	**300,001**	**257,981**

**The allowance for trade receivables from contracts with customers is $0.3 million in the current year (2021: $0.2 million).*

Movements in the allowance for expected credit losses balance is as follows:

	2022 $'000	2021 $'000
Opening balance	**263**	**487**
Allowance recognised in statement of comprehensive income**	39	(203)
GST movement	10	(21)
Closing balance	**312**	**263**

***The impairment losses/ gains for contracts with customers is a loss of $0.04 million in the current year (2021: $0.2 million gain).*

6.2 Ageing analysis

The loss allowance for trade debtors as at 30 June is determined as follows:

	Current $'000	<30 days $'000	31-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
30-Jun-22						
Expected average credit loss rate	5.9%	20.4%	6.5%	15.0%	38.5%	
Estimated total gross carrying amount of default	1,002	49	370	107	454	1,982
Expected credit loss	59	10	24	16	175	284
30-Jun-21						
Expected average credit loss rate	5.2%	8.1%	27.1%	33.3%	68.3%	
Estimated total gross carrying amount of default	929	284	70	42	205	1,530
Expected credit loss	48	23	19	14	140	244

Note: The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7 hence the 'total' will not reconcile to the receivables total in Note 6.1.

Note 7 Inventories

	30.6.2022 $'000	30.6.2021 $'000
Materials and supplies, at cost	70,540	65,353
Less: allowance for obsolete inventory	(9,946)	(11,335)
Total inventories	**60,594**	**54,018**
Total inventories are comprised of:		
Current inventories	22,275	20,481
Non-current inventories	38,319	33,537
Total	**60,594**	**54,018**

Note 8 Property, plant and equipment

8.1 Classes

	30.6.2022 $'000	30.6.2021 $'000
Plant and machinery		
Gross carrying amount	51,919	53,772
Less: accumulated depreciation	(43,836)	(44,220)
Net carrying amount - plant and machinery	8,083	9,552
Rolling stock		
Gross carrying amount	492,860	492,861
Less: accumulated depreciation	(253,256)	(238,698)
Net carrying amount - rolling stock	239,604	254,163
Capital work in progress		
Capital work in progress	2,785	829
Total - capital work in progress	2,785	829
Total property, plant and equipment	**250,472**	**264,544**

Note 8 Property, plant and equipment (continued)

8.2 Asset class movement

	Plant and machinery $'000	Rolling stock $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2022				
Net carrying amount at the beginning of the year	**9,552**	**254,163**	**829**	**264,544**
Additions	-	-	4,065	4,065
Completed capital work	616	-	(616)	-
Disposals/ derecognition/ write-offs	238	-	-	238
Depreciation expense	(2,323)	(14,559)	-	(16,882)
Other movement	-	-	(1,493)	(1,493)
Net carrying amount at the end of the year	**8,083**	**239,604**	**2,785**	**250,472**
Year ended 30 June 2021				
Net carrying amount at the beginning of the year	**11,104**	**268,619**	**1,901**	**281,624**
Additions	-	-	1,876	1,876
Completed capital work	1,845	109	(1,954)	-
Disposals/ derecognition/ write-offs	(583)	-	-	(583)
Depreciation expense	(2,814)	(14,565)	-	(17,379)
Other movement	-	-	(994)	(994)
Net carrying amount at the end of the year	**9,552**	**254,163**	**829**	**264,544**
Gross carrying amount				
At 1 July 2020	56,898	492,751	1,901	551,550
At 30 June 2021	53,772	492,861	829	547,462
At 1 July 2021	53,772	492,861	829	547,462
At 30 June 2022	51,919	492,860	2,785	547,564
Accumulated depreciation				
At 1 July 2020	(45,794)	(224,132)	-	(269,926)
At 30 June 2021	(44,220)	(238,698)	-	(282,918)
At 1 July 2021	(44,220)	(238,698)	-	(282,918)
At 30 June 2022	(43,836)	(253,256)	-	(297,092)
Net carrying amount				
At 1 July 2020	11,104	268,619	1,901	281,624
At 30 June 2021	9,552	254,163	829	264,544
At 1 July 2021	9,552	254,163	829	264,544
At 30 June 2022	8,083	239,604	2,785	250,472

Note 8 Property, plant and equipment (continued)

8.3 Valuation of property, plant and equipment

Independent valuers performed a fair value assessment for each class of assets to confirm the carrying value materially reflects the fair value at 30 June 2022.

The following table details information on the revaluation activities undertaken:

Category	Valuer	Valuation technique	Date of revaluation	Revaluation increment / (decrement)
Rolling stock	SNC Lavalin Rail & Transit Pty Ltd	Cost approach*	1 Nov 2018	($57 million)

**The cost approach refers to depreciated replacement cost.*

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

	30.6.2022 $'000	30.6.2021 $'000
Software/ licences		
Gross carrying amount	419,992	421,077
Less: accumulated amortisation	(351,520)	(339,530)
Net carrying amount of software/ licences work in progress	68,472	81,547
Software/ licences work in progress	**39,274**	**24,613**
Total intangible assets	**107,746**	**106,160**

Note 9 Intangible assets (continued)

9.2 Movements during the year

	Software/ licences $'000	Software/ licences work in progress $'000	Total $'000
2022			
Net carrying amount at the beginning of the year	**81,547**	**24,613**	**106,160**
Additions	-	24,557	24,557
Disposals/ write-offs	(26)	-	(26)
Amortisation expense	(20,742)	-	(20,742)
Other movements	7,693	(7,693)	-
Transfer to TAHE	-	(2,203)	(2,203)
Net carrying amount at the end of the year	**68,472**	**39,274**	**107,746**
2021			
Net carrying amount at the beginning of the year	**106,693**	**13,265**	**119,958**
Additions	-	16,070	16,070
Amortisation expense	(29,868)	-	(29,868)
Other movements	4,722	(4,722)	-
Net carrying amount at the end of the year	**81,547**	**24,613**	**106,160**

Note 10 Trade and other payables

10.1 Trade and other payables

	30.6.2022 $'000	30.6.2021 $'000
Trade payables	69,527	60,477
Inter entity payables	24,309	13,330
Capital expenditure accruals	811	1,695
Accrued salaries, wages and on-costs	70,659	63,062
Other payables and accruals	194,945	231,401
Unearned revenue	9,338	31
Total trade and other payables	**369,589**	**369,996**

10.2 Fair value

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

10.3 Risk exposure

Information about Sydney Trains exposure to payables with a foreign exchange risk is provided in Note 19.

Note 11 Borrowings

11.1 Borrowings

	Note	30.6.2022 $'000	30.6.2021 $'000
Current			
Lease liabilities*		218,328	20,452
		218,328	20,452
Non-current			
Lease liabilities*		4,406,673	2,101,631
		4,406,673	2,101,631
Total borrowings		**4,625,001**	**2,122,083**

**The lease liabilities include the maintenance facility, simulators and 78 sets of trains under a Public Private Partnership (PPP) and the licence agreement with TAHE for its rail operating assets.*

11.2 Changes in liabilities arising from financing activities

	01.07.2021 $'000	Cash flows* $'000	Non-cash changes** $'000	Derecognition of lease liabilities*** $'000	30.06.2022 $'000
Lease liabilities	2,122,083	(226,088)	2,765,350	(36,344)	4,625,001
Derivative liability	1,468	-	(1,062)	-	406
Total liabilities from financing activities	**2,123,551**	**(226,088)**	**2,764,288**	**(36,344)**	**4,625,407**

	01.07.2020 $'000	Cash flows* $'000	Non-cash changes** $'000	Derecognition of lease liabilities*** $'000	30.06.2021 $'000
Lease liabilities	2,134,972	(18,656)	5,767	-	2,122,083
Derivative liability	6,872	-	(5,404)	-	1,468
Total liabilities from financing activities	**2,141,844**	**(18,656)**	**363**	**-**	**2,123,551**

**Cash flows comprise of proceeds and repayments of borrowings of $ nil (2021: $55 million) offsetting to nil and the repayment of lease liabilities (including licence agreements with TAHE) of $226.1 million (2021: $18.7 million).*

***Non-cash changes comprise of non-cash additions/ modifications on right of use assets (rail operating assets) of $2.728 billion (2021: nil).*

****The derecognition of lease liabilities relates to properties leased with Property NSW. Refer to Note 14(a).*

Note 12 Provisions

12.1 Provisions

	Note	30.6.2022 $'000	30.6.2021 $'000
Current provisions			
Annual leave (see note (a) below)		181,040	180,926
Long service leave (see note (a) below)	12.2	233,274	273,729
Pay in lieu of certain holidays worked (see note (a) below)		12,494	11,220
Workers' compensation	12.4	18,067	11,865
Redundancy	12.8	2,034	20,444
Total employee benefits and related on-costs		446,909	498,184
Public liability claims	12.5	3,816	3,398
Legal claims	12.6	-	1,466
Ballast disposal	12.7	1,275	846
Restoration of leased premises	12.9	-	1,434
Insurance claims	12.10	12,412	4,017
Total other provisions		17,503	11,161
Total current provisions		**464,412**	**509,345**
Non-current provisions			
Superannuation	21	327,222	558,815
Long service leave (see note (a) below)	12.2	16,858	22,743
Workers' compensation	12.4	39,363	36,530
Redundancy	12.8	8,304	-
Total employee benefits and related on-costs		391,747	618,088
Restoration of leased premises	12.9	-	3,764
Total other provisions		-	3,764
Total non-current provisions		**391,747**	**621,852**
Total provisions			
Superannuation	21	327,222	558,815
Annual leave		181,040	180,926
Long service leave	12.2	250,132	296,472
Pay in lieu of certain holidays worked		12,494	11,220
Workers' compensation	12.4	57,430	48,395
Redundancy	12.8	10,338	20,444
Total employee benefits and related on-costs		**838,656**	**1,116,272**
Public liability claims	12.5	3,816	3,398
Legal claims	12.6	-	1,466
Ballast disposal	12.7	1,275	846
Restoration of leased premises	12.9	-	5,198
Insurance claims	12.10	12,412	4,017
Total other provisions		**17,503**	**14,925**
Total provisions		**856,159**	**1,131,197**

(a) In accordance with Australian Accounting Standards all annual leave, pay in lieu of certain holidays worked 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:

Note 12 Provisions (continued)

12.1 Provisions (continued)

	Within 12 months $'000	Later than 12 months $'000	Total $'000
2022			
Long service leave	27,403	222,729	250,132
Annual leave	111,226	69,814	181,040
Pay in lieu of certain holidays worked	12,494	-	12,494
	151,123	**292,543**	**443,666**
2021			
Long service leave	19,934	276,538	296,472
Annual leave	107,744	73,182	180,926
Pay in lieu of certain holidays worked	11,220	-	11,220
	138,898	**349,720**	**488,618**

12.2 Long service leave

Long service leave is recognised as an expense and a provision when the obligations arise, 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 Mercer Consulting (Australia) Pty Limited. The actuary assumed an interest rate of 3.52 per cent (2021: 1.19 per cent) and a salary growth rate of 2.5 per cent (2021: 2.5 per cent) per annum.

Note 12 Provisions (continued)

12.3 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of year $'000	Increase in provision $'000	Discounting adjustment $'000	Subtotal $'000	Payment of claims $'000	Unused amount reversed $'000	Carrying amount at end of year $'000
2022							
Public liability claims	3,398	1,463	-	4,861	(898)	(147)	3,816
Legal claims	1,466	-	-	1,466	(111)	(1,355)	-
Ballast disposal	846	3,328	-	4,174	(2,899)	-	1,275
Restoration of leased premises	5,198	-	-	5,198	(1,384)	(3,814)	-
Insurance claims	4,017	10,000	-	14,017	(1,605)	-	12,412
2021							
Public liability claims	4,039	2,708	-	6,747	(2,675)	(674)	3,398
Legal claims	1,883	-	-	1,883	(417)	-	1,466
Ballast disposal	914	4,641	-	5,555	(4,709)	-	846
Restoration of leased premises	5,360	75	(8)	5,427	(229)	-	5,198
Insurance claims	6,381	2,300	-	8,681	(4,564)	(100)	4,017

12.4 Workers' compensation

Workers' compensation insurance is in place to cover any claim exceeding $1.5 million (2021: $1.5 million) 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 Marsh Pty Ltd assuming a discount rate ranging from 0.31 per cent to 3.36 per cent per annum over the next 15 years (2021: 0.08 per cent to 2.19 per cent per annum over the next 15 years) and a future claims inflation rate of 3.70 per cent per annum over the next 15 years (2021: 2.5 per cent per annum over the next 15 years).

The actuary has advised that no allowance was made for asbestos related claims. It is not anticipated that Sydney Trains will have asbestos related claims.

The average settlement time for claims is 2.6 years.

12.5 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 17.

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 timing of the liability is inherently uncertain due to disputes over the quantum of individual claims.

12.6 Legal claims

The legal claims provision recognises claims against Sydney Trains arising from legislative or contractual breaches or other matters.

The liability at year end was assessed by management by reviewing individual claims. The timing of the liability is inherently uncertain due to disputes over the quantum of individual claims.

Note 12 Provisions (continued)

12.7 Ballast disposal

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 30 June 2022 by management with the timing of the liability is inherently uncertain due to the timing of future disposal.

12.8 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. The exact timing and the amount of the payment is uncertain.

12.9 Restoration of leased premises

In the previous years, the provision recognised Sydney Trains' obligation to restore premises leased from external parties to their original condition at the end of the lease term.

12.10 Insurance claims

In the current year, Sydney Trains recognised an insurance claims provision of $12.4 million (2021: $4.0 million). The exact timing and amount of the liability is not certain.

Note 13 Contract liabilities

	30.6.2022 $'000	30.6.2021 $'000
Contract liabilities - current	1,181	697
Contract liabilities – non-current	585	1,099
Total contract liabilities	**1,766**	**1,796**

The contract liability balance has decreased during the year with the revenue receipted in advance for services yet to be performed.

The effect on the contract balances is outlined below:

	30.6.2022 $'000	30.6.2021 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	697	142
Transaction price allocated to the remaining performance obligations from contracts with customers	1,766	1,796

The transaction price allocated to the remaining performance obligations relates to various contracts with external parties. The revenue is expected to be recognised in the financial year when the services are performed.

Note 14 Leases

14(a) As lessee

On 1 July 2021, Sydney Trains entered into new commercial agreements with TAHE. The agreements were subsequently updated in June 2022 and set out the terms by which TAHE's rail operating assets are licensed and available for use to Sydney Trains. The rail operating assets include stations, rolling stock and land assets as required for operational purposes. The licence fee under the agreement is assessed to be an operating lease arrangement. The lease term is 10 years.

Sydney Trains leases various office spaces, motor and heavy vehicles for a fixed period. The lease term ranges from 1 to 10 years and has extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Sydney Trains does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing the contracts. The majority of extension and termination options held are exercisable only by Sydney Trains and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The impact of future cash flows not being included in the lease liability due to uncertainties with regards to lease extensions/ terminations is nil. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Note 14 Leases (continued)

14(a) As lessee (continued)

During the current financial year, the financial effect of revising the lease terms to reflect the effect of exercising extension and termination options was a decrease in leased liabilities of $1.2 million (2021: $5.4 million) and right of use assets of $1.1 million (2021: $4.8 million).

Sydney Trains has elected to recognise payments for short-term leases and low-value leases as expenses on a straight-line basis, instead of recognising a right of use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a fair value of $10,000 or less when new.

During financial year ended 30 June 2022, Sydney Trains has accepted the changes in the office accommodation arrangements with Property NSW (PNSW). The main change is the introduction of the "substitution right" clause for PNSW to relocate the entity during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, the office accommodation agreement with PNSW is no longer accounted for as a lease from 30 June 2022. This involves judgment that the "substitution right" clause in the agreement provides PNSW with a substantive substitution right. Management has made judgment that PNSW can obtain benefits from exercising the substation right when it achieves office accommodation efficiency at the whole-of-government level and/or its other service objectives. It is also considered practical for PNSW to exercise the substitution right due to the general nature of the relevant office accommodation. The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in "Other gains/ (losses)" (refer to Note 4.7). From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

The responsibility for any make good on of these premises is recognised by TfNSW. This was previously recognised by Sydney Trains. Refer to Note 12.9.

14.1 Right of use assets under leases

The following table presents right of use assets as at 30 June:

	Rail operating assets* $'000	Leased buildings $'000	Leased plant and machinery $'000	Leased rolling stock $'000	Total $'000
Balance at 1 July 2021	**-**	**274,836**	**34,308**	**1,754,765**	**2,063,909**
Additions	1,948,891	-	10,322	-	**1,959,213**
Depreciation expense	(201,831)	(8,522)	(12,377)	(73,832)	**(296,562)**
Derecognition of right of use asset	-	(30,129)	-	-	**(30,129)**
Other movements	779,315	(1,158)	813	1,494	**780,464**
Balance at 30 June 2022	**2,526,375**	**235,027**	**33,066**	**1,682,427**	**4,476,895**
Balance at 1 July 2020	**-**	**285,886**	**40,902**	**1,828,552**	**2,155,340**
Additions	-	3,362	3,679	-	7,041
Depreciation expense	-	(10,365)	(11,735)	(73,787)	(95,887)
Other movements	-	(4,047)	1,462	-	(2,585)
Balance at 30 June 2021	**-**	**274,836**	**34,308**	**1,754,765**	**2,063,909**

**Rail operating assets include stations, rolling stock and land assets as required for operational purposes.*

Note 14 Leases (continued)

14(a) As lessee (continued)

14.2 Lease liabilities

The following table presents the liabilities under leases as at 30 June:

	30.6.2022 $'000	30.6.2021 $'000
Balance at 1 July	**2,122,083**	**2,134,972**
Additions	1,959,213	6,047
Interest expense	212,563	181,039
Payments	(411,403)	(199,577)
Remeasurement of leases	779,315	-
Other movements	(426)	(398)
Derecognition of lease liabilities	(36,344)	-
Balance at 30 June	**4,625,001**	**2,122,083**

14.3 Lease expenses

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June 2022 in respect of leases where Sydney Trains is the lessee:

Amount	30.6.2022 $'000	30.6.2021 $'000
Depreciation expense on right of use assets	296,562	95,887
Interest expense on lease liabilities	212,563	181,039
Variable lease payments not included in the measurement of lease liabilities	7,786	9,439
Expense relating to short-term leases	1,091	856
Gains or losses arising from derecognising the right of use assets and lease liabilities with Property NSW	(6,215)	-
Total amount recognised in the statement of comprehensive income	**511,787**	**287,221**

Sydney Trains had cash outflows of $420.3 million relating to leases in the current year (2021: $209.9 million).

14.4 Reliance Rail leases

The Sydney Trains contract with Reliance Rail constitutes a lease. Under the agreement, Reliance Rail would:

- design, manufacture and commission a total of 626 carriages, together with simulators for training
- design, manufacture and commission a maintenance facility on TAHE land at Auburn
- make 72 eight car train sets available for Sydney Trains' use over the term of the contract until 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.

The right of use assets comprise of 78 sets of rolling stock, the Auburn maintenance facility and the simulators.

The fixed lease payments included in the lease liability comprises of the standard availability unit (SAU) payments which are capital in nature and the milestone payments. The SAU payments are indexed to CPI. The Reliance Rail lease also contain variable payment terms that are linked to the availability of the train sets. The non-lease components comprise mainly of the through-life support services to be provided by Reliance Rail.

Sydney Trains may extend the contract by five or ten years for some or all of the trains.

Note 14 Leases (continued)

14(b) As lessor

Sydney Trains has a number of embedded leases relating to advertising structures rented out for use to third parties. The rent is paid in advance on a quarterly basis and recognised over time on a straight-line basis.

Note 15 Contributed equity

15.1 Contributed equity

	Note	30.6.2022 $'000	30.6.2021 $'000
Contributed equity at start of the year		1,184,180	1,184,180
Net assets contributed by Government	15.2	(2,203)	-
Contributed equity at end of the year		**1,181,977**	**1,184,180**

15.2 Contributed equity movements

Transfer of assets or (liabilities) from (or to) another NSW public sector entity are considered to be a contribution by the owner.

Non-cash investing activities as at 30 June 2022 are as follows.

	30.6.2022 $'000	30.6.2021 $'000
Assets transferred (to)/ from other entities		
Intangible assets	(2,203)	-
Total assets	**(2,203)**	**-**
Net assets transferred	**(2,203)**	**-**
Contributed equity	**(2,203)**	**-**

Note 16 Commitments

16.1 Capital commitments

The aggregate capital expenditure for the acquisition of plant and equipment (including intangibles) contracted for at balance date and not provided for:

	30.6.2022 $'000	30.6.2021 $'000
Property, plant & equipment		
Within 12 months	1,886	836
Total property, plant & equipment (including intangible assets)	**1,886**	**836**

The commitments include any associated Goods and Services Tax. Related input tax credits of $0.2 million (2021: $0.1 million) are expected to be recoverable from the Australian Taxation Office. For more details on rolling stock contract commitments refer Note 14.4.

16.2 Rolling stock contract commitments

The commitments under the rolling stock Reliance Rail contract are as follows, excluding GST:

	30.6.2022 $'000	30.6.2021 $'000
Contract commitments		
Within 12 months	100,865	92,217
12 months or longer but no longer than 5 years	402,600	369,979
Longer than 5 years	1,893,556	1,874,728
Total contract commitments	**2,397,021**	**2,336,924**

Contract commitments represent future payments relating to maintenance and other future payments.

Note 17 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 not wholly within the control of Sydney Trains.

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.

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.

There were no material contingent assets and liabilities as at 30 June 2022 and 30 June 2021.

Note 18 Fair value measurements of non-financial assets

18.1 Fair value measurements of non-financial assets

Sydney Trains measures and recognises rolling stock at fair value on a recurring basis.

Sydney Trains does 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 2022.

	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
2022				
Rolling stock	-	-	239,604	239,604
Total recurring fair value measurements	**-**	**-**	**239,604**	**239,604**
2021				
Rolling stock	-	-	254,163	254,163
Total recurring fair value measurements	**-**	**-**	**254,163**	**254,163**

Note 18 Fair value measurements of non-financial assets (continued)

18.1 Fair value measurements of non-financial assets (continued)

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.

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

18.2 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 for all assets 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 and depreciation. 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. Minor plant and machinery is carried at cost which is a proxy for fair value.

The rolling stock, building and simulators relating to the Reliance Rail arrangement is carried at cost from 1 July 2019 and are classified as right of use assets.

Note 18 Fair value measurements of non-financial assets (continued)

18.3 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 2022.

	Rolling stock $'000	Total $'000
2022		
Fair value at 1 July 2021	**254,163**	**254,163**
Losses recognised in the statement of comprehensive income*	(14,559)	(14,559)
Fair value at 30 June 2022	**239,604**	**239,604**
2021		
Fair value at 1 July 2020	**268,619**	**268,619**
Additions/ transfers in	109	109
Losses recognised in the statement of comprehensive income*	(14,565)	(14,565)
Fair value at 30 June 2021	**254,163**	**254,163**

**Losses recognised in the Statement of Comprehensive Income relates to depreciation only.*

There were no transfers from levels 1, 2 and 3 during the reporting period. In the prior year transfers out of level 3 include assets under a finance lease arrangement which are carried at cost from 1 July 2019.

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 and major plant 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.

Note 19 Financial instruments

19.1 Financial Instruments

Sydney Trains holds the following financial instruments:

	Category	30.6.2022 $'000	30.6.2021 $'000
Financial assets			
Cash and cash equivalents	Amortised cost	415,425	400,494
Trade and other receivables*	Amortised cost	216,707	213,420
Derivative financial assets	Financial assets at fair value through profit or loss	9,006	3,001
Total financial assets		**641,138**	**616,915**
Financial liabilities			
Trade and other payables**	Financial liabilities measured at amortised cost	264,972	278,332
Borrowings	Financial liabilities measured at amortised cost	4,625,001	2,122,083
Derivative financial liabilities	Financial liabilities measured at fair value through profit or loss	406	1,468
Total financial liabilities		**4,890,379**	**2,401,883**

** 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.*

19.2 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. Sydney Trains does not enter into or trade financial instruments for speculative reasons. 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 in accordance with Treasury policy. Treasury 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. Sydney Trains Treasury Management Policy is reviewed annually.

The primary objective of the Treasury Management 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 (TPP 21-14 *NSW Government Financial Risk Management*). Accounting for financial instruments is in accordance with NSW Treasury Accounting policy (TPP 19-05 *Accounting Policy: Accounting for Financial Instruments*).

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 still in accordance with the *Government Sector Finance Act 2018.*

Note 19 Financial instruments (continued)

19.3 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.

19.3.1 Foreign exchange risk

Sydney Trains is exposed to foreign exchange risk arising from currency exposures which is managed in accordance with TPP 21-14: *NSW Government Financial Risk Management Policy* (TPP 21-14). Foreign exchange risk arises from contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis.

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

Purchases involving foreign currency risk exposure that exceeds an aggregate of $100,000, are required to be reviewed prior to signing to assess the financial risk and formulate strategies to manage the risk. Sydney Trains 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 19.4.

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

	Weighted Average Exchange Rate		Contract Value		Fair Value	
Maturity Profiles	**2022**	**2021**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Contracts denominated in US Dollars						
Not later than 3 months	0.7131	0.7220	3,403	3,118	3,510	2,976
Later than 3 months and not later than 12 months	0.7007	0.7136	9,163	9,223	9,289	8,692
Later than 12 months	0.7717	0.6861	484	4,725	542	4,282
Total hedged US Dollar contracts			13,050	17,066	13,341	15,950
Contracts denominated in Euros						
Not later than 3 months	0.6176	0.6087	1,340	2,170	1,267	2,082
Later than 3 months and not later than 12 months	0.6311	0.6286	4,338	4,000	4,220	3,974
Later than 12 months	-	0.6322	-	114	-	114
Total hedged Euros contracts			5,678	6,284	5,487	6,170
Contracts denominated in Pounds						
Not later than 3 months	0.5734		404		409	
Later than 3 months and not later than 12 months						
Later than 12 months						
Total hedged Pounds contracts			404		409	
Net present value adjustment					(3)	3
Total hedged purchase*			**19,132**	**23,350**	**19,234**	**22,123**

** The total includes the impact of discounting on an aggregate level.*

Note 19 Financial instruments (continued)

19.3 Market risk (continued)

19.3.1 Foreign exchange risk (continued)

Foreign exchange risk sensitivity analysis
The following table shows the effect on other comprehensive income at the reporting date of a 10 per cent 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 2022, had the AUD spot price weakened/ strengthened by 10 per cent 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/ deficit Higher/ (Lower)		Equity Higher/ (Lower)	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
US Dollars	-	-	(1,214)	(1,451)
Euros	-	-	(494)	(560)
Pounds Sterling	-	-	(30)	-
Total	**-**	**-**	**(1,738)**	**(2,011)**

Increase of 10%	Surplus/ deficit Higher/ (Lower)		Equity Higher/ (Lower)	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
US Dollars	-	-	1,483	1,774
Euros	-	-	604	684
Pounds Sterling	-	-	37	-
Total	**-**	**-**	**2,124**	**2,458**

Note 19 Financial instruments (continued)

19.3 Market risk (continued)

19.3.2 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 per cent of exposures be hedged in year one, year two up to 60 per cent and year three up to 40 per cent hedged on a rolling three year basis 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 predominantly purchases distillate on behalf of NSW Trains for the operation of their diesel fleet. All the associated gains or losses are recovered from NSW Trains.

Sydney Trains purchases its electricity under a fixed price contract as at 30 June 2022.

At 30 June 2022 there were only commodity hedge contracts in place for distillate purchases.

	Contract Value		Fair Value	
Maturity Profiles	**2022**	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year				
Favourable	10,935	8,364	19,270	10,702
Non-favourable	1,864	3,185	1,743	3,016
	12,799	11,549	**21,013**	13,718
Between 1 and 5 years				
Favourable	542	4,282	915	4,877
Non-favourable	-	-	-	-
	542	4,282	**915**	4,877
Net present value adjustment			(93)	(7)
Total commodity swap contracts*	**13,341**	**15,831**	**21,835**	**18,588**

** The total includes the impact of discounting on an aggregate level.*

Note 19 Financial Instruments (continued)

19.3 Market risk (continued)

19.3.2 Commodity price risk (continued)

Commodity price risk sensitivity analysis
Based on contracts in place at 30 June 2022, had the Singapore Gas Oil spot price weakened/ strengthened by 10 per cent, with all other variables held constant, the impact on comprehensive income is shown in the table below:

	Change in Unit Price	Surplus/ deficit 2022 $'000	Surplus/ deficit 2021 $'000	Equity 2022 $'000	Equity 2021 $'000
Commodity	-10%	-	-	(2,584)	(1,895)
Commodity	+10%	-	-	2,584	1,895

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 two years historical movements and economic forecasts.

19.3.3 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The PPP maintenance facility 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.

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

	Interest Rate 2022 %	Interest Rate 2021 %	Principal Amount 2022 $'000	Principal Amount 2021 $'000
Financial assets				
Not later than 1 year				
Cash at bank	0.85	0.10	415,425	400,494
Total financial assets			415,425	400,494
Financial liabilities				
Not later than 1 year				
Borrowings	1.75	1.64	218,328	20,452
Between 1 and 5 years				
Borrowings	1.76	1.82	1,435,189	88,181
Later than 5 years				
Borrowings	1.76	1.97	2,971,484	2,013,450
Total financial liabilities			4,625,001	2,122,083
Net exposure			**5,040,426**	**2,522,577**

Interest rate risk is not applicable to the Reliance Rail lease.

Note 19 Financial Instruments (continued)

19.3 Market risk (continued)

19.3.3 Interest rate risk (continued)

Interest rate sensitivity analysis
Exposure to interest rate risk arises primarily through Sydney Trains' bank facilities. A change of +/ - 1 per cent is used to measure Sydney Trains' financial sensitivity to interest rate movements. Sydney Trains exposure to interest rate risk is set out below:

	Carrying Amount $'000	Surplus/ deficit $'000		Equity $'000	
		-1%	+1%	-1%	+1%
2022					
Cash at bank	415,425	(4,154)	4,154	(4,154)	4,154
2021					
Cash at bank	400,494	(4,005)	4,005	(4,005)	4,005

19.4 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 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 or allowance for expected credit losses).

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 *Government Sector Finance Act 2018* 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 $415.4 million (2021: $400.5 million) in cash at bank at 30 June 2022. This was held with Westpac Banking Corporation.

Note 19 Financial Instruments (continued)

19.4 Credit risk (continued)

Derivatives
In relation to foreign exchange contracts and commodity swap transactions, Sydney Trains only transacts with counterparties in accordance with TPP 21-14. Sydney Trains held $9.0 million (2021: $3.0 million) in derivative financial assets and $0.4 million (2021: $1.5 million) in derivative financial liabilities.

Sydney Trains is required to deal with Tcorp unless the required exemptions have been obtained.

Sydney Trains also holds “International Swaps and Derivatives Association” Master Agreements with all non-government counterparties which is an industry standard.

Trade receivables and contract assets
The maximum credit risk exposure in relation to receivables and contract assets is the carrying amount, less the allowance for impaired debts/ expected credit losses. 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 considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Sydney Trains may also consider a financial asset to be in default when internal or external information indicates that Sydney Trains is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the debtor.

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

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.

Investment
Sydney Trains held funds with Westpac Banking Corporation for operational purposes at 30 June 2022. The facility is designated at cost. Therefore any changes in price impacts on surplus and deficit (rather than comprehensive income). The deposits at balance date were earning an interest rate of 0.85 per cent (2021: 0.10 per cent) while over the year the average interest rate was 0.17 per cent (2021: 0.15 per cent) on an average balance during the year of $217.9 million (2021: $181.1 million).

Note 19 Financial instruments (continued)

19.5 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.

	Carrying Amount $'000	Contract Cash Flow $'000	Less than 1 Year $'000	Between 1 and 5 Years $'000	Over 5 Years $'000
30 June 2022					
Financial liabilities					
Trade and other payables	264,972	264,970	264,970	-	-
Borrowings	4,625,001	7,458,795	423,746	2,310,767	4,724,282
	4,889,973	7,723,765	688,716	2,310,767	4,724,282
Derivatives					
Forward exchange contracts outflow	(19,237)	(19,131)	(18,647)	(484)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(21,929)	(13,341)	(12,799)	(542)	-
Commodity swap contracts inflow	-	-	-	-	-
	(41,166)	(32,472)	(31,446)	(1,026)	-
30 June 2021					
Financial liabilities					
Trade and other payables	278,332	278,332	278,332	-	-
Borrowings	2,122,083	4,935,438	200,887	815,830	3,918,721
	2,400,415	5,213,770	479,219	815,830	3,918,721
Derivatives					
Forward exchange contracts outflow	(22,120)	(23,350)	(18,511)	(4,839)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(18,595)	(15,831)	(11,549)	(4,282)	-
Commodity swap contracts inflow	-	-	-	-	-
	(40,715)	(39,181)	(30,060)	(9,121)	-

Note 19 Financial instruments (continued)

19.6 Hedging

The impact of hedged items on the statement of financial position is as follows:

30 June 2022	Change in fair value used for measuring ineffectiveness	Cash flow hedge reserve*	Cost of hedging reserve**
Forward exchange contracts	N/A	1,330	1,508
Commodity swaps	N/A	5,738	-
30 June 2021			
Forward exchange contracts	N/A	(900)	1,784
Commodity swaps	N/A	8,500	-

**The cash flow hedge reserve includes the hedge reserve balances for continuing hedges only.*

***The cost of hedging reserve includes the hedge reserve balances for hedging relationships where hedge accounting is no longer applied.*

The effect of the cash flow hedge on the statement of comprehensive income is as follows:

30 June 2022	Gains/ (loss recognised in other comprehensive income	Hedge ineffectiveness recognised surplus/ deficit	Line item in the statement of comprehensive income	Cost of hedging recognised in other comprehensive income	Amount reclassified from other comprehensive income to surplus/ deficit	Line item in the statement of comprehensive income
Forward exchange contracts	1,330	-	N/A	276	276	Other operating expenses - External maintenance costs
Commodity swaps	5,738	-	N/A	-	-	-
30 June 2021						
Forward exchange contracts	(900)	-	N/A	307	307	Other operating expenses - External maintenance costs
Commodity swaps	8,500	-	N/A	-	-	-

The impact of hedging on equity is outlined below. A reconciliation of each component of equity and the analysis of other comprehensive income is as follows:

	Cash flow hedge reserve	Cost of hedging reserve
As at 1 July 2021	(1,533)	1,784
Forward exchange contracts	(1,330)	(276)
Commodity swaps	(5,738)	-
As at 30 June 2022	(8,601)	1,508
As at 1 July 2020	6,067	2,091
Forward exchange contracts	900	(307)
Commodity swaps	(8,500)	-
As at 30 June 2021	(1,533)	1,784

Note 19 Financial instruments (continued)

19.7 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
- 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 and levels 2 and 3 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 2022					
Financial assets					
Foreign exchange contracts	10,899	10,500	-	10,899	-
Commodity swap contracts	20,185	11,477	-	20,185	-
Total financial assets	**31,084**	**21,977**	**-**	**31,084**	**-**
Financial liabilities					
Foreign exchange contracts	8,338	8,631	-	8,338	-
Commodity swap contracts	1,743	1,864	-	1,743	-
Total financial liabilities	**10,081**	**10,495**	**-**	**10,081**	**-**
Fair value at 30 June 2021					
Financial assets					
Foreign exchange contracts	7,924	7,852	-	7,924	-
Commodity swap contracts	15,580	12,645	-	15,580	-
Total financial assets	**23,504**	**20,497**	**-**	**23,504**	**-**
Financial liabilities					
Foreign exchange contracts	14,196	15,498	-	14,196	-
Commodity swap contracts	3,016	3,185	-	3,016	-
Total financial liabilities	**17,212**	**18,683**	**-**	**17,212**	**-**

The fair value does not reflect net present value adjustments.

Note 20 Related parties

20.1 Key management personnel compensation

During 2021-22, Sydney Trains incurred $5.1 million (2021: $5.1 million) in respect of key management personnel services provided by Transport Service of NSW.

20.2 Transactions & outstanding balances with key management personnel

During 2021-22 Sydney Trains did not enter into transactions with its key management personnel including the key management personnel of the parent (2021: nil).

20.3 Transactions with government related entities during the year

During the year, Sydney Trains entered into transactions and held balances with other entities that are controlled or jointly controlled by the NSW Government. All of the activities were undertaken in the ordinary course of business operations.

The following transactions are significant either individually or in aggregate:

Nature of Transaction	Agency	Value $'000
2021-22		
Access fee and licence fee for rights to use of rail network, stations, rolling stock and property*	TAHE	437,700
Operating subsidies	TfNSW	2,790,055
Cost recoveries for services provided to transport entities including maintenance activities for NSW Trains	NSW Trains TAHE TfNSW RMS Sydney Metro	582,357
Construction revenue	TAHE	264,165
Transfer (out) of work in progress at fair value of $2.2 million	TAHE	No charge
Defined benefit superannuation liability	SAS Trustee Corporation	327,222
Letter of comfort to Sydney Trains	NSW Treasury	No charge
2020-21		
Access rights to rail network, stations, rolling stock and property	TAHE	No charge
Routine maintenance services	TAHE	No charge
Operating subsidies	TfNSW	2,164,349
Cost recoveries for services provided to transport entities including maintenance activities for NSW Trains	NSW Trains TAHE TfNSW RMS Sydney Metro	653,192
Construction revenue	TAHE	407,595
Defined benefit superannuation liability	SAS Trustee Corporation	558,815
Letter of comfort to Sydney Trains	NSW Treasury	No charge

**Sydney Trains cash payment to TAHE for the right to use its rail operating assets in the current year (2021: nil).*

20.4 Transactions and outstanding balances with other related parties

During 2021-22, Sydney Trains did not engage in any transactions/ have outstanding balances with other related parties (2021: nil).

Note 21 Superannuation

Overview
Employer contributions are made to three defined-benefit superannuation schemes. An underfunded scheme is recognised as a provision and an overfunded scheme is recognised as an asset. Details of both provisions and assets are given below.

Nature of the benefits provided by the fund
The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:
- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the Schemes are closed to new members.

Description of the regulatory framework
The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *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. The last actuarial investigation was performed as at 30 June 2021. The next actuarial investigation will be performed as at 30 June 2024.

Unless otherwise indicated, the paragraph references in Note 21 refer to AASB 119 *Employee Benefits*.

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
- Compliance with other applicable regulations.

Note 21 Superannuation (continued)

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

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

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

Description of significant events
There were no fund amendments, curtailments or settlements during the year.

30 June 2022

The following is the 30 June 2022 superannuation position:

Member numbers	SASS	SANCS	SSS	TOTAL
	30-Jun-22	30-Jun-22	30-Jun-22	30-Jun-22
Contributors	812	812	-	
Deferred benefits	-	-	-	
Pensioners	358	-	4	
Pensions fully commuted	-	-	-	
Superannuation Position for AASB 119 purposes	$'000	$'000	$'000	$'000
Accrued liability (Note 1)	1,013,744	79,243	6,679	1,099,666
Estimated reserve account balance	(712,096)	(57,494)	(2,854)	(772,444)
1. Deficit/ (surplus)	301,648	21,749	3,825	327,222
2. Future Service Liability (Note 2)	5,820	15,661	-	21,481
3. Surplus in excess of recovery available from schemes (- 1. -2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/ liability to be recognised in statement of financial position (1.+3.)	301,648	21,749	3,825	327,222

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

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

Note 21 Superannuation (continued)

Reconciliation of the Net Defined Benefit Liability/ (Asset) - Para 140(a)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net Defined Benefit Liability/ (Asset) at start of year	**517,575**	**35,738**	**5,502**	**558,815**
Current service cost	4,739	3,153	103	7,995
Net interest on the net defined benefit liability/ (asset)	7,679	495	83	8,257
Past service cost	-	-	-	-
(Gains)/ losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	17,801	1,405	81	19,287
Actuarial (gains)/ losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/ losses arising from changes in financial assumptions	(231,735)	(10,685)	(2,007)	(244,427)
Actuarial (gains)/ losses arising from liability experience	(3,111)	(2,957)	63	(6,005)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(11,300)	(5,400)	-	(16,700)
Effects of transfers in/ out due to business combinations and disposals	-	-	-	-
Net Defined Benefit Liability/ (Asset) at end of year	**301,648**	**21,749**	**3,825**	**327,222**

Reconciliation of the Fair Value of Fund Assets - Para 140(a)(i)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of Fund assets at beginning of the year	**782,288**	**63,730**	**3,040**	**849,058**
Interest income	11,271	917	44	12,232
Actual return on Fund assets less Interest income	(17,801)	(1,405)	(81)	(19,287)
Employer contributions	11,300	5,400	-	16,700
Contributions by participants	6,541	-	18	6,559
Benefits paid	(80,610)	(10,328)	(182)	(91,120)
Taxes, premiums & expenses paid	(893)	(820)	15	(1,698)
Transfers in/ out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of fund assets at end of the year	**712,096**	**57,494**	**2,854**	**772,444**

Note 21 Superannuation (continued)

Reconciliation of the Net Defined Benefit Liability/ (Asset) - Para 140(a)(ii)

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Present value of defined benefit obligations at beginning of the year	**1,299,863**	**99,468**	**8,542**	**1,407,873**
Current service cost	4,739	3,153	103	7,995
Interest cost	18,950	1,412	127	20,489
Contributions by participants	6,541	-	18	6,559
Actuarial (gains)/ losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/ losses arising from changes in financial assumptions	(231,735)	(10,685)	(2,007)	(244,427)
Actuarial (gains)/ losses arising from liability experience	(3,111)	(2,957)	63	(6,005)
Benefits paid	(80,610)	(10,328)	(182)	(91,120)
Taxes, premiums & expenses paid	(893)	(820)	15	(1,698)
Transfers in/ out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**1,013,744**	**79,243**	**6,679**	**1,099,666**

Note 21 Superannuation (continued)

Fair value of Fund assets - Para 142
All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Asset category	Total $'000	Quoted prices in active markets for identical assets Level 1 $'000	Significant observable inputs Level 2 $'000	Unobservable inputs Level 3 $'000
Short-Term Securities	5,041,192	1,854,969	3,186,223	-
Australian Fixed Interest	244,972	-	244,972	-
International Fixed Interest	1,439,643	4,287	1,415,027	20,329
Australian Equities	6,518,777	5,893,947	622,584	2,246
International Equities	12,174,407	12,002,063	169,289	3,055
Property	2,362,344	-	-	2,362,344
Alternatives	9,095,720	(637)	2,160,192	6,936,165
Total	**36,877,055**	**19,754,629**	**7,798,287**	**9,324,139**

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

As at	30-Jun-22
Short-Term Securities	13.6%
Australian Fixed Interest	0.7%
International Fixed Interest	3.9%
Australian Equities	17.7%
International Equities	33.0%
Property	6.4%
Alternatives	24.7%
Total	**100.0%**

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

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

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

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

Fair value of entity's own financial instruments - Para 143

Of the direct properties owned by the Pooled Fund:
SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $362 million (30 June 2021: $328 million).
Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $540 million (30 June 2021: $443 million).

Note 21 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date - Para 144

Discount rate	3.69% pa
Salary increase rate (excluding promotional increases)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter
Rate of CPI increase	4.00% for 21/22; 5.50% for 22/23; 3.00% for 23/24 and 24/25; 2.75% for 25/26 and 26/27; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2021 Actuarial Investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report when available from the trustee's website. The report will show the pension mortality rates for each age.

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2022 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 2022.

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.

	Base case	Scenario A -0.5% Discount rate	Scenario B +0.5% Discount rate
Discount rate	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	1,099,666	1,154,571	1,049,789

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	1,099,666	1,138,483	1,064,255

	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	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation ($'000)	1,099,666	1,114,610	1,085,267

	Base case	Scenario G Higher Mortality*	Scenario H Lower Mortality**
Defined benefit obligation ($'000)	1,099,666	1,102,096	1,085,674

**Assumes the short-term pensioner mortality improvement factors for years 2022-2026 also apply for years after 2026.*

***Assumes the long-term pensioner mortality improvement factors for years post 2026 also apply for the years 2022 to 2026.*

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

Note 21 Superannuation (continued)

Asset-Liability matching strategies - Para 146
The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Funding arrangements - Para 147(a)
Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

Surplus/ deficit
The following is a summary of the 30 June 2022 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Accrued benefits*	776,174	66,361	4,015	846,550
Net market value of Fund assets	(712,096)	(57,493)	(2,854)	(772,443)
Net (surplus)/ deficit	**64,078**	**8,868**	**1,161**	**74,107**

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

Contribution recommendations
Recommended contribution rates for the entity are:

	SASS multiple of member contributions	SANCS % member salary	SSS member contributions
	N/A	N/A	N/A

Economic assumptions
The economic assumptions adopted for 30 June 2022 AASB 1056 Accounting Standard "Superannuation Entities":

Weighted Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	7.0% pa
Expected rate of return on Fund assets backing other liabilities	6.2% pa
Expected salary increase rate (excluding promotional salary increases)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26 and 3.2% pa thereafter
Expected rate of CPI increase	4.8% for 21/22 and 2.5% pa thereafter

Note 21 Superannuation (continued)

Sensitivity Analysis

In light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, the sensitivities to this assumption for the AASB 1056 results is shown below:

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

	Base case	Scenario A -0.5% Discount rate	Scenario B +0.5% Discount rate
Expected rates of return on Fund assets	7.0%/6.2%	6.5%/5.7%	7.5%/6.7%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued benefits ($'000)	**846,549**	**873,355**	**821,819**

Expected contributions - Para 147(b)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	16,700	-	-	16,700

Maturity profile of defined benefit obligation - Para 147(c)
The weighted average duration of the defined benefit obligation is 11.1 years.

Note 21 Superannuation (continued)

Profit or Loss Impact

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Current service cost	4,739	3,153	103	7,995
Net interest	7,679	495	83	8,257
Past service cost	-	-	-	-
Gains/ Loss on settlement	-	-	-	-
Profit or loss component of the Defined Benefit Cost	**12,418**	**3,648**	**186**	**16,252**

Other comprehensive income

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Actuarial (gains) losses on liabilities	(234,847)	(13,643)	(1,942)	(250,432)
Actual return on Fund assets less Interest income	17,801	1,405	81	19,287
Change in the effect of asset ceiling	-	-	-	-
Total remeasurement in other comprehensive income	**(217,046)**	**(12,238)**	**(1,861)**	**(231,145)**

30 June 2021

The following is the 30 June 2021 superannuation position:

Member numbers	SASS	SANCS	SSS	Total
	30-Jun-21	30-Jun-21	30-Jun-21	30-Jun-21
Contributors	926	927	1	
Deferred benefits	-	-	-	
Pensioners	317	-	3	
Pensions fully commuted	-	-	-	
Superannuation Position for AASB 119 purposes	$'000	$'000	$'000	$'000
Accrued liability (Note 1)	1,299,863	99,468	8,542	1,407,873
Estimated reserve account balance	(782,288)	(63,730)	(3,040)	(849,058)
1. Deficit/ (surplus)	517,575	35,738	5,502	558,815
2. Future Service Liability (Note 2)	11,691	22,860	63	34,614
3. Surplus in excess of recovery available from schemes (- 1. -2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/ liability to be recognised in statement of financial position (1.+3.)	517,575	35,738	5,502	558,815

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

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

Note 21 Superannuation (continued)

Reconciliation of the Net Defined Benefit Liability/ (Asset) - Para 140(a)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net Defined Benefit Liability/ (Asset) at start of year	**582,278**	**49,522**	**6,574**	**638,374**
Current service cost	7,829	3,439	93	11,361
Net Interest on the net defined benefit liability/ (asset)	5,019	405	57	5,481
Past service cost	-	-	-	-
(Gains)/ losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(84,554)	(6,860)	(330)	(91,744)
Actuarial (gains)/ losses arising from changes in demographic assumptions	60,888	2,009	(111)	62,786
Actuarial (gains)/ losses arising from changes in financial assumptions	(80,558)	(5,977)	(658)	(87,193)
Actuarial (gains)/ losses arising from liability experience	37,526	(953)	(122)	36,451
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(10,853)	(5,847)	(1)	(16,701)
Effects of transfers in/ out due to business combinations and disposals	-	-	-	-
Net Defined Benefit Liability/ (Asset) at end of year	**517,575**	**35,738**	**5,502**	**558,815**

Reconciliation of the Fair Value of Fund Assets – Para 140(a)(i)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of Fund assets at beginning of the year	**721,502**	**57,578**	**2,812**	**781,892**
Interest income	6,007	471	24	6,502
Actual return on Fund assets less Interest income	84,554	6,860	330	91,744
Employer contributions	10,853	5,847	1	16,701
Contributions by participants	6,695	-	18	6,713
Benefits paid	(51,218)	(6,639)	(167)	(58,024)
Taxes, premiums & expenses paid	3,895	(387)	22	3,530
Transfers in/out due to business combinations and disposals	-	-	-	-
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Exchange rate changes	-	-	-	-
Settlements				
Fair value of fund assets at end of the year	**782,288**	**63,730**	**3,040**	**849,058**

Note 21 Superannuation (continued)

Reconciliation of the Defined Benefit Obligation – Para 140(a)(ii)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at beginning of the year	**1,303,780**	**107,100**	**9,386**	**1,420,266**
Current service cost	7,829	3,439	93	11,361
Interest cost	11,026	876	81	11,983
Contributions by participants	6,695	-	18	6,713
Actuarial (gains)/ losses arising from changes in demographic assumptions	60,888	2,009	(111)	62,786
Actuarial (gains)/ losses arising from changes in financial assumptions	(80,558)	(5,977)	(658)	(87,193)
Actuarial (gains)/ losses arising from liability experience	37,526	(953)	(122)	36,451
Benefits paid	(51,218)	(6,639)	(167)	(58,024)
Taxes, premiums & expenses paid	3,895	(387)	22	3,530
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**1,299,863**	**99,468**	**8,542**	**1,407,873**

Note 21 Superannuation (continued)

Fair value of Fund assets - Para 142

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

Asset category	Total $'000	Quoted prices in active markets for identical assets Level 1 $'000	Significant observable inputs Level 2 $'000	Unobservable inputs Level 3 $'000
Short-Term Securities	5,108,370	2,398,668	2,709,702	-
Australian Fixed Interest	903,816	-	903,816	-
International Fixed Interest	1,755,026	45,227	1,709,799	-
Australian Equities	8,310,657	8,308,316	2,341	-
International Equities	13,889,680	13,884,532	5,148	-
Property	3,287,730	626,961	-	2,660,769
Alternatives	8,529,711	759	2,709,828	5,819,124
Total	**41,784,990**	**25,264,463**	**8,040,634**	**8,479,893**

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

As at	30-Jun-21
Short-Term Securities	12.2%
Australian Fixed Interest	2.2%
International Fixed Interest	4.2%
Australian Equities	19.9%
International Equities	33.2%
Property	7.9%
Alternatives	20.4%
Total	**100.0%**

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

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

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

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

Fair value of entity's own financial instruments - Para 143

The fair value of the Pooled Fund assets as at 30 June 2021 includes $41.4 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:
SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $328 million (30 June 2020: $340 million).
Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $443 million (30 June 2020: $343 million).

Note 21 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date - Para 144

Discount rate	1.50% pa
Salary increase rate (excl. promotional increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28; 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available on the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2021 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 2021.

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.

	Base case	Scenario A -0.5% Discount rate	Scenario B +0.5% Discount rate
Discount rate	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	1,407,873	1,495,251	1,329,661

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of Discount rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	1,407,873	1,467,440	1,354,045

	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	As above +0.5% pa	As above -0.5% pa
Defined benefit obligation ($'000)	1,407,873	1,431,567	1,385,107

	Base case	Scenario G Higher Mortality*	Scenario H Lower Mortality**
Defined benefit obligation ($'000)	1,407,873	1,402,674	1,375,428

**Assumes the short-term pensioner mortality improvement factors for years 2021-2026 also apply for years after 2026.*

***Assumes the long-term pensioner mortality improvement factors for years post 2026 also apply for the years 2021 to 2026.*

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

Note 21 Superannuation (continued)

Asset-Liability matching strategies - Para 146
The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Funding arrangements - Para 147(a)
Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

Surplus/ deficit
The following is a summary of the 30 June 2021 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Accrued benefits*	819,620	73,357	3,772	896,749
Net market value of Fund assets	(782,288)	(63,730)	(3,040)	(849,058)
Net (surplus)/ deficit	**37,332**	**9,627**	**732**	**47,691**

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

Contribution recommendations
Recommended contribution rates for the entity are:

	SASS multiple of member contributions	SANCS % member salary	SSS member contributions
	N/A	N/A	N/A

Economic assumptions
The economic assumptions adopted for 30 June 2021 AASB 1056 Accounting Standard "Superannuation Entities":

Weighted Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	6.5% pa
Expected rate of return on Fund assets backing other liabilities	5.7% pa
Expected salary increase rate (excluding promotional salary increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Expected rate of CPI increase	2.0% pa

Note 21 Superannuation (continued)

Sensitivity Analysis

In light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, the assumptions for CPI, salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, the sensitivities to this assumption for the AASB 1056 results is show below:

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB1056 results.

	Base case	Scenario A -0.5% Discount rate	Scenario B +0.5% Discount rate
Expected rates of return on Fund asset	6.5%/5.7%	6.0%/5.2%	7.0%/6.2%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued benefits ($'000)	**896,748**	**925,214**	**870,524**

Expected contributions - Para 147(b)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	16,700	-	-	16,700

Maturity profile of defined benefit obligation - Para 147(c)

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

Note 21 Superannuation (continued)

Profit or Loss Impact

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Current service cost	7,829	3,439	93	11,361
Net interest	5,019	405	57	5,481
Past service cost	-	-	-	-
Gains/ Loss on settlement	-	-	-	-
Profit or loss component of the Defined Benefit Cost	**12,848**	**3,844**	**150**	**16,842**

Other comprehensive income

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Actuarial (gains) losses on liabilities	17,856	(4,921)	(891)	12,044
Actual return on Fund assets less Interest income	(84,554)	(6,860)	(330)	(91,744)
Total remeasurement in other comprehensive income	**(66,698)**	**(11,781)**	**(1,221)**	**(79,700)**

Note 22 Events occurring after reporting date

There were no significant events occurring after the reporting period.

(End of audited financial statements)

INDEPENDENT AUDITOR'S REPORT

Sydney Trains

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Trains, which comprise the Statement by the Chief Executive, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Summary of significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of Sydney Trains in accordance with the requirements of the:

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

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

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

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

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

Chief Executive’s Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing Sydney Trains' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 October 2022
SYDNEY

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