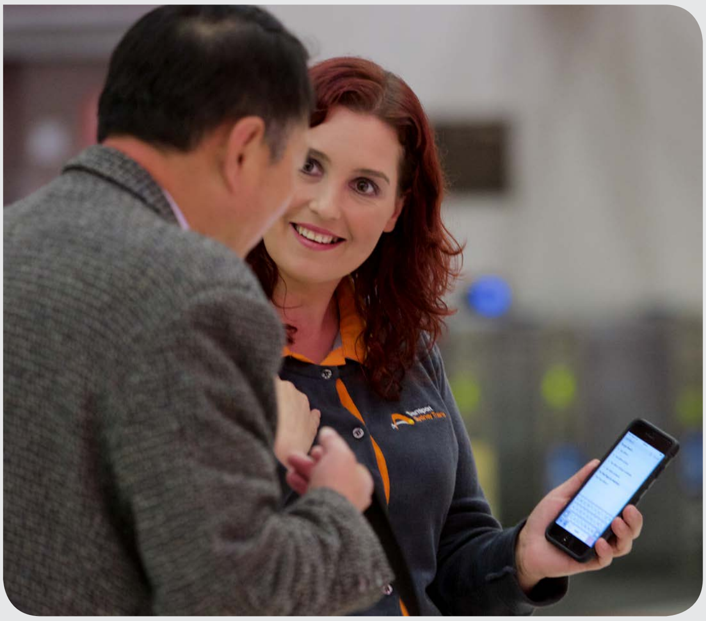
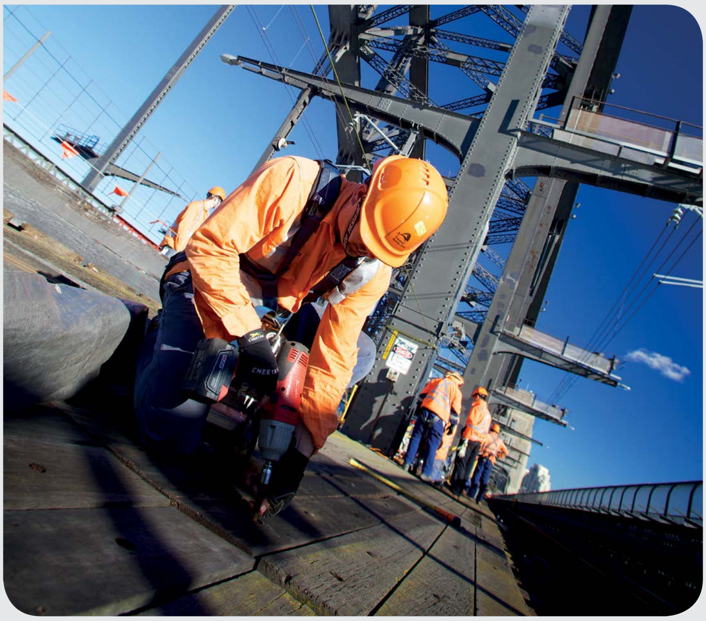
Sydney Trains

2014-15 Annual Report

Volume 2





NSW GOVERNMENT

Transport
Sydney Trains

Sydney Trains

Financial Statements 2014-2015

❖ ❖ ❖

Contents

Statement by the Chief Executive

In relation to the Financial Statements for the year ended 30 June 2015

Pursuant to section 41C (1B) of the *Public Finance and Audit Act 1983* and clause 7 of the Public Finance and Audit Regulation 2015, I declare that:

(a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of Sydney Trains and the consolidated entity as at 30 June 2015 and of their financial performance for the year ended 30 June 2015.

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015, Australian Accounting Standards, which includes Australian Accounting Interpretations, and the Treasurer's directions.

(c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Gary Pedersen
A/Chief Executive

17 September 2015

(Start of audited financial statements)

Statement of Comprehensive Income for the year ended 30 June 2015

	Note	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Income				
Passenger services revenue		**712,373**	**712,373**	745,250
Non passenger revenue	3.1	**1,121,472**	**1,176,116**	1,089,998
Interest		**2,609**	**2,557**	2,579
Income from operating activities		**1,836,454**	**1,891,046**	1,837,827
Expenses				
Operating expenses				
- Employee benefit expenses and other payroll costs	4.1	**1,135,553**	**1,135,553**	1,106,990
- Personnel service expenses	4.3	**105,149**	**105,149**	83,425
- Other operating expenses	4.4	**1,799,118**	**1,853,710**	1,733,007
Depreciation and amortisation	8.2, 9.2	**156,300**	**156,300**	138,702
Finance costs	4.6	**175,493**	**175,493**	161,896
Total expenses		**3,371,613**	**3,426,205**	3,224,020
Deficit from operations before Government contributions		**(1,535,159)**	**(1,535,159)**	(1,386,193)
Government subsidies and contributions	3.2	**1,256,486**	**1,256,486**	1,186,382
Deficit from operations before capital contributions		**(278,673)**	**(278,673)**	(199,811)
Contributions for capital expenditure	3.3	**64,002**	**64,002**	28,500
Deficit for the period from continuing operations		**(214,671)**	**(214,671)**	(171,311)
Other Comprehensive Income				
Items that may be reclassified to surplus/deficit				
Net gain/(loss) in forward foreign exchange		**2,902**	**2,902**	(3,169)
Net gain/(loss) in commodity swaps		**(4,717)**	**(4,717)**	1,130
Items that will not be reclassified to surplus/deficit				
Revaluation of property, plant and equipment		**21,429**	**21,429**	426,526
Superannuation actuarial gains/(losses) on defined benefit schemes		**(9,139)**	**(9,139)**	(35,299)
Other Comprehensive Income for the period		**10,475**	**10,475**	389,188
Total Comprehensive Income for the period		**(204,196)**	**(204,196)**	217,877

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

Statement of Financial Position as at 30 June 2015

	Note	Consolidated 30.6.2015 $'000	Parent 30.6.2015 $'000	30.6.2014 $'000
Current assets				
Cash and cash equivalents	5.1	**303,460**	**303,460**	60,705
Trade and other receivables	6.1	**258,910**	**258,910**	311,309
Inter entity receivable	18	**430,011**	**430,011**	-
Inventories	7	**27,757**	**27,757**	27,974
Derivative financial instruments		**1,676**	**1,676**	468
Total current assets		**1,021,814**	**1,021,814**	400,456
Non-current assets				
Inventories	7	**18,334**	**18,334**	33,580
Property, plant and equipment	8	**3,205,305**	**3,205,305**	3,260,044
Intangible assets	9	**199,355**	**199,355**	205,030
Derivative financial instruments		**631**	**631**	159
Total non-current assets		**3,423,625**	**3,423,625**	3,498,813
Total assets		**4,445,439**	**4,445,439**	3,899,269
Current liabilities				
Trade & other payables	10	**453,545**	**453,545**	461,692
Finance lease liabilities	11	**13,392**	**13,392**	74,024
Inter entity advance		**-**	**-**	198,000
Provisions	12	**411,180**	**411,180**	368,110
Derivative financial instruments		**3,566**	**3,566**	1,049
Total current liabilities		**881,683**	**881,683**	1,102,875
Non-current liabilities				
Finance lease liabilities	11	**1,995,664**	**1,995,664**	1,989,254
Provisions	12	**344,721**	**344,721**	272,888
Derivative financial instruments		**1,033**	**1,033**	53
Total non-current liabilities		**2,341,418**	**2,341,418**	2,262,195
Total liabilities		**3,223,101**	**3,223,101**	3,365,070
Net assets		**1,222,338**	**1,222,338**	534,199
Equity				
Contributed equity	13.1	**1,207,094**	**1,207,094**	314,759
Reserves		**445,664**	**445,664**	426,050
Retained earnings		**(430,420)**	**(430,420)**	(206,610)
Total equity		**1,222,338**	**1,222,338**	534,199

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 2015

Consolidated	Note	Contributed equity $'000	Retained earnings $'000	Asset revaluation $'000	Other reserves $'000	Total $'000
Balance at 1 July 2014*		**314,759**	**(206,610)**	**426,526**	**(476)**	**534,199**
Surplus/(deficit) for the year		**-**	**(214,671)**	**-**	**-**	**(214,671)**
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		-	-	-	**2,902**	**2,902**
Net gain/(loss) in commodity swap		-	-	-	**(4,717)**	**(4,717)**
Increase/(decrease) in asset revaluation reserve		-	-	**21,429**	-	**21,429**
Superannuation actuarial gains/(losses) on defined benefit schemes		-	**(9,139)**	-	-	**(9,139)**
Total Other Comprehensive Income for the year		**-**	**(9,139)**	**21,429**	**(1,815)**	**10,475**
Increase/(decrease) in net assets from equity transfers (contribution by owners)	13.2	**892,335**	-	-	-	**892,335**
Balance at 30 June 2015		**1,207,094**	**(430,420)**	**447,955**	**(2,291)**	**1,222,338**

*The balance at 1 July 2014 is the prior year closing balance of the Parent entity.

Parent	Note	Contributed equity $'000	Retained earnings $'000	Asset revaluation $'000	Other reserves $'000	Total $'000
Balance at 1 July 2014		**314,759**	**(206,610)**	**426,526**	**(476)**	**534,199**
Surplus/(Deficit) for the period		**-**	**(214,671)**	**-**	**-**	**(214,671)**
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		-	-	-	**2,902**	**2,902**
Net gain/(loss) in commodity swap		-	-	-	**(4,717)**	**(4,717)**
Increase/(decrease) in asset revaluation reserve		-	-	**21,429**	-	**21,429**
Superannuation actuarial gains/(losses) on defined benefit schemes		-	**(9,139)**	-	-	**(9,139)**
Total Other Comprehensive Income for the year		**-**	**(9,139)**	**21,429**	**(1,815)**	**10,475**
Increase/ (decrease) in net assets from equity transfers (contribution by owners)	13.2	**892,335**	-	-	-	**892,335**
Balance at 30 June 2015		**1,207,094**	**(430,420)**	**447,955**	**(2,291)**	**1,222,338**
Balance as at 30 June 2013		-	-	-	-	-
Surplus/(deficit) for the period		-	(171,311)	-	-	(171,311)
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		-	-	-	(3,169)	(3,169)
Net gain/(loss) in commodity swaps		-	-	-	1,130	1,130
Increase/(decrease) in asset revaluation reserve		-	-	426,526	-	426,526
Superannuation actuarial gains/(losses) on defined benefit schemes		-	(35,299)	-	-	(35,299)
Total Other Comprehensive Income for the year		-	(35,299)	426,526	(2,039)	389,188
Increase/ (decrease) in net assets from equity transfers (contribution by owners)	13.2	314,759	-	-	1,563	316,322
Balance at 30 June 2014		314,759	(206,610)	426,526	(476)	534,199

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

Statement of Cash Flows for the year ended 30 June 2015

	Note	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Cash flows from operating activities				
Cash received				
Passenger services		**744,401**	**744,401**	743,955
Other receipts from customers and others		**1,489,517**	**1,545,489**	1,032,104
Government subsidies and concessions		**1,248,573**	**1,248,573**	1,186,382
Interest received		**2,609**	**2,557**	2,579
Total cash received		**3,485,100**	**3,541,020**	2,965,020
Cash used				
Payments to suppliers and others		**(2,051,200)**	**(2,101,713)**	(1,831,723)
Payments to employees		**(1,217,974)**	**(1,217,974)**	(1,089,337)
Interest paid on finance lease		**(155,691)**	**(155,691)**	(161,896)
Total cash used		**(3,424,865)**	**(3,475,378)**	(3,082,956)
Net cash from/(used in) operating activities	5.2	**60,235**	**65,642**	(117,936)
Cash flow from investing activities				
Cash received				
Capital grants		**22,405**	**22,405**	28,500
Total cash received		**22,405**	**22,405**	28,500
Cash used				
Property, plant and equipment and intangible assets acquisitions		**(47,207)**	**(47,207)**	(61,246)
Total cash used		**(47,207)**	**(47,207)**	(61,246)
Net cash from/(used by) investing activities		**(24,802)**	**(24,802)**	(32,746)
Cash flows from financing activities				
Cash received				
Proceeds from inter entity advance		**275,812**	**274,812**	198,000
Total cash received		**275,812**	**274,812**	198,000
Cash used				
Repayment of finance lease		**(74,025)**	**(74,025)**	(62,970)
Total cash used		**(74,025)**	**(74,025)**	(62,970)
Net cash from/(used in) financing activities		**201,787**	**200,787**	135,030
Net (decrease)/increase in cash and cash equivalents		**237,220**	**241,627**	(15,652)
Cash and cash equivalents at beginning of period		**60,705**	**60,705**	-
Cash transferred in from Transport Cleaning Services	13.2	**5,535**	**1,128**	-
Cash transferred in from Rail Corporation NSW	13.2	**-**	**-**	76,357
Cash and cash equivalents at end of period	5.1	**303,460**	**303,460**	60,705

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

Notes to the Financial Statements for the year ended 30 June 2015

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)* and is a scheduled entity under the *Public Finance and Audit Act 1983 (NSW)*. It is domiciled in Australia and its principal office is at 477 Pitt Street Sydney, 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. RailCorp provides access to the rail network, stations, majority of property and certain rolling stock at no charge to Sydney Trains in accordance with the Rail Services Contract with Transport for NSW (TfNSW).

Sydney Trains is a controlled entity of TfNSW and TfNSW is a controlled entity of the Department of Transport which is consolidated as part of the NSW Total State Sector accounts.

Sydney Trains, the parent entity and its controlled entity Transport Cleaning Services constitute the reporting entity in these consolidated Financial Statements. Sydney Trains obtained control of Transport Cleaning Services on 1 August 2014 under the *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2014 (NSW).*

On 1 July 2015, Transport Cleaning Services was dissolved under the *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2015 (NSW)* and ceased to become a controlled entity of Sydney Trains.

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

(b) Principles of consolidation

The consolidated Financial Statements comprise the Financial Statements of Sydney Trains (the parent entity) and its controlled entity after elimination of all inter-entity transactions and balances.

Sydney Trains controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When Sydney Trains loses control of an entity, it derecognises the related assets, liabilities and other components of equity and any resulting gain or loss is recognised in the Statement of Comprehensive Income.

The Financial Statements of the controlled entity are included in the consolidated Financial Statements from the date control commences until the date control ceases. The consolidated Financial Statements covers the period 1 August 2014 to 30 June 2015. Sydney Trains did not have to prepare consolidated financial statements in the prior period.

(c) Comparative information

Comparative information covers the period 7 December 2012 to 30 June 2014. All transactions occurred from 1 July 2013.

(d) Authorisation of the Financial Statements

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

(e) Statement of compliance

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

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

The Financial Statements are general purpose Financial Statements prepared in accordance with Australian Accounting Standards, which includes Australian Accounting Interpretations, the *Public Finance and Audit Act 1983 (NSW)*, the *Public Finance and Audit Regulation 2015 (NSW),* and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations. However, property, plant and equipment and derivative financial assets and liabilities are measured at fair value. Refer Notes 2.3(ii) and 2.13(ii). 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 RailCorp, NSW Trains, Transport Cleaning Services, TfNSW, State Transit Authority, Transport Service of NSW and Roads & Maritime Services.

Sydney Trains reclassified certain prior year information to align with the current year presentation. In particular:

- Other Government operating subsidies of $208 thousand was reclassified to Note 3.2 Government subsidies and contributions
- Note 4.4 Other operating expenses comprising of Subcontractors of $6.4m, Bus hire of $3.8m, Other expenses of $123 thousand and Corporate and shared services costs from TfNSW of $105.2m were reclassified to a new line item 'Inter entity charges'.
- Finance lease liability was reclassified in the Statement of Financial Position and associated notes.

2.1.1 Going concern

The Financial Statements have been prepared on a going concern basis which assumes that Sydney Trains is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up their operations. Sydney Trains' continued operation and ability to pay its debts are satisfied by annual grants by the Government and access to borrowing facilities to support Sydney Trains' operations. The NSW Government funds the majority of the cost of operation of the rail network.

2.1.2 Change in accounting policy

There is no change to accounting policies in 2014-15.

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised Accounting Standards

The Financial Statements have adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to Sydney Trains effective for the annual reporting periods ending on 30 June 2015. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to Sydney Trains accounting policies.

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

Notes to the Financial Statements for the year ended 30 June 2015

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised Accounting Standards (continued)

The following new Accounting Standards and Interpretations have not yet been adopted and are not effective as at 30 June 2015. The standards are effective for annual reporting periods commencing on or after 1 January 2015.

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 9	Financial Instruments	Dec 2014	1 Jan 2018
AASB 14	Regulatory Deferral Accounts	Jun 2014	1 Jan 2016
AASB 15	Revenue from Contracts with Customers	Dec 2014	1 Jan 2017
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 16, 19, 107 & 127]	Sep 2012	1 Jan 2018
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part B Materiality- 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Dec 2013	1 Jan 2015
AASB 2014-1	Amendments to Australian Accounting Standards [Operative dates: Parts A-C – 1 Jul 2014; Part D – 1 Jan 2016; Part E – 1 Jan 2018]	Jun 2014	1 Jan 2016/ 1 Jan 2018
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	Aug 2014	1 Jan 2016
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	Aug 2014	1 Jan 2016
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	Dec 2014	1 Jan 2017
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	Dec 2014	1 Jan 2018
AASB 2014-8	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) –Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB9 (2009 & 2010)]	Dec 2014	1 Jan 2015
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB1, 127 & 128]	Dec 2014	1 Jan 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	Dec 2014	1 Jan 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Jan 2015	1 Jan 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]	Jan 2015	1 Jan 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	Jan 2015	1 Jul 2015
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128]	Jan 2015	1 Jan 2016
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	Mar 2015	1 Jul 2016

The impact of these standards and interpretations on the Financial Statements is not yet known or reasonably estimable.

Note 2 Summary of significant accounting policies (continued)

2.3 Financial instruments

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

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

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

(iii) Hedging

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

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

(iv) Hedge accounting

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

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

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

Refer Note 17.

2.4 Offsetting financial assets and liabilities

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

2.5 Taxes

(i) Income tax equivalents

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

(ii) Goods and Services Tax

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

The net amount of GST recoverable from (or payable to) the ATO is recognised as part of receivables (or payables) in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of any cash flow arising from investing activities that is recoverable from (or payable to) the ATO is classified as an operating cash flow.

(iii) State taxes

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

Note 2 Summary of significant accounting policies (continued)

2.6 Leases

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

(i) Details of PPP finance leasing arrangements

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

- Design, manufacture and commission a total of 626 carriages, together with simulators for training;
- Design, manufacture and commission a maintenance facility on Sydney Trains land at Auburn. The land is leased to Reliance Rail for nil consideration over the term of the contract;
- Make 72 eight car train sets available for Sydney Trains' use over the term of the contract (the term continues for 30 years after the delivery of the tenth last set, i.e. until 11 February 2044);
- Provide a maintenance facility for the sets over the term of the contract;
- Decommission any sets which Sydney Trains does not wish to acquire at the end of the contract;
- Handover the maintenance facility at the end of the contract.

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

(ii) Accounting treatment – operating leases

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

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

(iii) Accounting treatment – finance leases

As lessee

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

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

Refer Note 14.3.

Note 2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

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

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

Refer Note 2.8

2.7 Foreign currency translation

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

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

2.8 Income

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

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

OPAL card is managed by Transport for NSW (TfNSW). Remittance of OPAL passenger revenue is on the basis of the output from the electronic ticketing system as agreed with TfNSW.

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

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

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.8 Income (continued)

Government contributions (continued)

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

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

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

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

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

Refer Note 3.1

2.9 Cash and cash equivalents

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

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

Refer Note 5.

Note 2 Summary of significant accounting policies (continued)

2.10 Trade and other receivables

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

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

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

Refer Note 6.

2.11 Inventories

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

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

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

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

Refer Note 7

Note 2 Summary of significant accounting policies (continued)

2.12 Impairment of financial assets

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

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

2.13 Property, plant and equipment

(i) Recognition

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

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

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

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

The capitalisation threshold for a network of property, plant and equipment items or for an individual (non-networked) item (other than a capital spare) is $5,000. A capital spare is only capitalised if it is part of a pool of 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.

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

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

Note 2 Summary of significant accounting policies (continued)

2.13 Property, plant and equipment (continued)

(ii) Measurement

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

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of acquisition or construction or where applicable the amount attributed to that asset when initially recognised.

Property, plant and equipment is revalued, at least once every 5 years with the exception of buildings which is revalued every 3 years or with sufficient regularity to ensure the carrying amount of the asset does not materially differ to its fair value in accordance with TPP 14-1 *Accounting Policy: Valuation of Physical Non- Current Assets at Fair Value* (TPP14-1). 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 TPP14-1 will be undertaken where a cumulative movement in indexes exceeds 12%.

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

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

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

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.13 Property, plant and equipment (continued)

(iii) Depreciation

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

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

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

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

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

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

(iv) Derecognition

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

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

Refer Note 8

Note 2 Summary of significant accounting policies (continued)

2.14 Intangible assets

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

(iii) Amortisation

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

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

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

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

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

(iv) Derecognition

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

Refer Note 9

Note 2 Summary of significant accounting policies (continued)

2.15 Trade and other payables

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

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

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

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

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

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

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

(ii) Employee benefits

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

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

Note 2 Summary of significant accounting policies (continued)

2.16 Provisions (continued)

(ii) Employee benefits (continued)

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

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

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

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

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

The amount recognised for the superannuation provision is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly. Investment credits are not netted off against the superannuation contribution tax when calculating the net defined benefit liability (asset) at balance date.
However, any prepaid superannuation asset recognised cannot exceed the total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

Refer Note 12

Note 2 Summary of significant accounting policies (continued)

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

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

Refer Note 13

2.18 Fair value hierarchy

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

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

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

Refer Notes 16 and 17

2.19 Significant accounting judgements, estimates and assumptions

Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular refer Note 8.3, Note 12 and Note 16.

2.20 Personnel services

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

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

Refer Note 4.3 and Note 3.2

2.21 Inter entity advance

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

Notes to the Financial Statements for the year ended 30 June 2015

Note 3 Income

3.1 Non passenger revenue

	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Inter entity non labour cost recovery	**566,284**	**620,928**	579,173
Construction revenue RailCorp	**447,730**	**447,730**	403,766
Sale of rail products	**16,040**	**16,040**	33,785
Construction revenue from third party	**3,840**	**3,840**	10,140
Advertising revenue	**21,201**	**21,201**	12,184
Fines and penalties	**11,942**	**11,942**	9,902
Sale of quarry products	**1,112**	**1,112**	5,480
Inter entity labour cost recovery	**5,865**	**5,865**	4,254
Other revenue	**47,458**	**47,458**	31,314
Total non passenger revenue	**1,121,472**	**1,176,116**	1,089,998

3.2 Government subsidies and contributions

	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Operating subsidies	**1,195,772**	**1,195,772**	1,179,312
Redundancy payments	**52,793**	**52,793**	6,862
Personnel services benefit	**7,913**	**7,913**	-
Training funding	**8**	**8**	208
Total government subsidies and contributions	**1,256,486**	**1,256,486**	1,186,382

3.3 Contributions for capital expenditure

	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
NSW Government capital grant	**40,137**	**40,137**	28,500
Asset transfers-RailCorp	**23,865**	**23,865**	-
Total capital contributions	**64,002**	**64,002**	28,500

Notes to the Financial Statements for the year ended 30 June 2015

Note 4 Expenses

4.1 Employee benefits expenses and other payroll costs

Employee related expenses include the following items:

	Note	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Salaries and wages		**904,235**	**904,235**	823,480
Annual leave		**79,828**	**79,828**	87,715
Long service leave		**22,388**	**22,388**	36,001
Superannuation-defined benefit plan	4.2	**27,736**	**27,736**	18,754
Superannuation-defined contribution		**66,039**	**66,039**	63,218
Workers compensation		**9,887**	**9,887**	13,464
Payroll tax and fringe benefits		**59,372**	**59,372**	46,349
Redundancy		**42,117**	**42,117**	640
Other payroll costs		**21,720**	**21,720**	19,703
Total employee related expenses		**1,233,322**	**1,233,322**	1,109,324
Skilled hire contractors		**4,685**	**4,685**	4,883
Skilled hire contractors-inter entity		**3,771**	**3,771**	76,540
Less: Employee related expenses allocated to capital works		**(10,726)**	**(10,726)**	(14,027)
Less: Employee related expenses allocated to construction works*		**(95,499)**	**(95,499)**	(69,730)
Total employee benefits expenses and other payroll costs		**1,135,553**	**1,135,553**	1,106,990

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

4.2 Defined benefit superannuation plan expense/(income)

	Note	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Current service cost		**18,990**	**18,990**	15,062
Net interest		**8,746**	**8,746**	3,692
Total defined benefit superannuation expense/(income)	12.2.14	**27,736**	**27,736**	18,754

Note 4 Expenses (continued)

4.3 Personnel services expenses

	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Salaries and wages	**76,116**	**76,116**	56,523
Annual leave	**8,092**	**8,092**	6,640
Long service leave	**7,388**	**7,388**	8,723
Superannuation-defined benefit plan	**493**	**493**	881
Superannuation-defined contribution	**6,846**	**6,846**	5,856
Workers compensation	**215**	**215**	200
Payroll and fringe benefit tax	**5,999**	**5,999**	4,602
Total personnel services expenses	**105,149**	**105,149**	83,425

4.4 Other operating expenses

	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Subcontractors	**377,949**	**375,996**	311,884
Construction costs	**447,730**	**447,730**	403,766
External maintenance costs	**231,787**	**231,787**	212,683
Materials	**138,473**	**138,484**	173,897
Inter entity charges	**173,983**	**229,367**	229,762
Bulk electricity	**77,577**	**77,577**	92,691
Plant and equipment hire	**66,705**	**66,705**	56,972
Bus hire	**29,967**	**29,967**	41,213
Computer expenses	**76,165**	**76,165**	75,311
Insurance costs	**17,518**	**17,518**	19,147
Traction fuel costs	**30,770**	**30,770**	31,623
Security costs	**25,406**	**25,406**	20,182
Motor vehicle expenses	**21,689**	**21,689**	21,043
Leased premises restoration	**11,958**	**11,958**	-
Telecommunication expenses	**8,617**	**8,617**	8,862
Printing & stationery	**7,937**	**7,921**	7,138
Advertising and marketing	**931**	**931**	746
Consultants	**2,508**	**2,508**	641
Discounting of provisions	**770**	**770**	(82)
Audit fees	**309**	**287**	300
Impairment of trade receivables	**(1,119)**	**69**	134
Other	**51,488**	**51,488**	25,093
Total operating expenses	**1,799,118**	**1,853,710**	1,733,007

Note 4 Expenses (continued)

4.5 Maintenance expenses

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

	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Labour	**302,679**	**302,679**	299,456
Contracted & other non-labour expenditure	**640,174**	**640,174**	606,279
Total maintenance expenses	**942,853**	**942,853**	905,735

In addition included in construction costs is $261.5m (2014: $212.5m) major periodic maintenance which is charged to RailCorp and capitalised in RailCorp.

4.6 Finance costs

	Consolidated 2014-15 $'000	Parent 2014-15 $'000	2013-14 $'000
Interest charges	**175,493**	**175,493**	161,896
Total finance costs	**175,493**	**175,493**	161,896

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	Consolidated 30.6.2015 $'000	Parent 30.6.2015 $'000	30.6.2014 $'000
Cash at bank	**300,592**	**300,592**	55,601
Cash in hand and in transit	**2,868**	**2,868**	5,104
Total cash and cash equivalents	**303,460**	**303,460**	60,705

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

Deficit for the period	**(214,671)**	**(214,671)**	(171,311)
Cash capital grants	**(22,405)**	**(22,405)**	(28,500)
Non cash capital grants	**(23,865)**	**(23,865)**	-
Depreciation and amortisation	**156,300**	**156,300**	138,702
Impaired trade receivables expense	**(1,119)**	**69**	134
Derecognition and write off of assets	**2,832**	**2,832**	1,805
Discounting of provisions	**770**	**770**	(82)
Net movements in assets and liabilities applicable to operating activities:			
(Increase)/decrease in trade and other receivables	**161,311**	**146,283**	(284,394)
(Increase)/decrease in inventories	**15,463**	**15,463**	(6,027)
Increase/(decrease) in trade and other payables and provisions	**(14,381)**	**4,866**	231,737
Net cash from operating activities	**60,235**	**65,642**	(117,936)

Note 5 Cash and cash equivalents (continued)

5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.15 Credit Facilities $'000	**30.6.15 Unused $'000**	30.6.14 Credit Facilities $'000	30.6.14 Unused $'000
Consolidated				
Transaction negotiation authority	**86,150**	**86,150**	-	-
Purchasing card facility	**30,000**	**7,786**	-	-
Come and Go facility	**30,000**	**30,000**	-	-
Total	**146,150**	**123,936**	-	-
Parent				
Transaction negotiation authority	**80,150**	**80,150**	80,150	80,150
Purchasing card facility	**30,000**	**7,786**	30,000	8,900
Come and Go facility	**30,000**	**30,000**	80,000	80,000
Total	**140,150**	**117,936**	190,150	169,050

5.4 Non-cash investing activities

Sydney Trains received $23.9m of licenses transferred from RailCorp. In the prior year, Sydney Trains acquired 33 sets of Waratah trains valued at $779m through a finance lease facility provided by Reliance Rail in addition to a number of assets acquired by way of equity contribution.

Refer Notes 9.2 and 13.2.

Note 6 Trade and other receivables

6.1 Trade and other receivables

	Consolidated 30.6.2015 $'000	**Parent 30.6.2015 $'000**	30.6.2014 $'000
Current trade and other receivables			
Trade receivables	**5,873**	**5,873**	10,210
Inter entity receivables	**206,162**	**206,162**	232,796
Other receivables	**39,676**	**39,676**	63,639
Less: allowance for impairment	**(217)**	**(217)**	(147)
	251,494	**251,494**	306,498
Prepayments	**7,416**	**7,416**	4,811
Total current trade and other receivables	**258,910**	**258,910**	311,309

Movements in the allowance for impairment were as follows:

	Consolidated 30.6.2015 $'000	**Parent 30.6.2015 $'000**	30.6.2014 $'000
Balance at beginning of period	**-**	**147**	-
Balance carried forward from parent	**147**	**-**	-
Transfer of allowance from TCS	**1,296**	**-**	-
Allowance recognised in Statement of Comprehensive Income	**(1,119)**	**69**	134
GST movement	**(107)**	**1**	13
Balance at end of period	**217**	**217**	147

Note 6 Trade and other receivables (continued)

6.2 Impaired trade and other receivables

The ageing of the impaired trade and other receivables is as follows:

	Consolidated 30.6.2015 $'000	Parent 30.6.2015 $'000	30.6.2014 $'000
1 to 3 months	**90**	**90**	57
3 to 6 months	**57**	**57**	88
over 6 months	**70**	**70**	2
Balance at end of period	**217**	**217**	147

6.3 Past due but not impaired receivables

The ageing analysis of these receivables is as follows:

	Consolidated 30.6.2015 $'000	Parent 30.6.2015 $'000	30.6.2014 $'000
1 to 3 months	**2,441**	**2,441**	12,175
3 to 6 months	**25**	**25**	18
Over 6 months	**10**	**10**	1,243
Balance at end of period	**2,476**	**2,476**	13,436

6.4 Nature and extent of risk arising from receivables

Information about Sydney Trains' exposure to credit risk in relation to trade and other receivables is provided in Note 17.

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

Note 7 Inventories

	Parent / Consolidated 30.6.2015 $'000	30.6.2014 $'000
Materials and supplies, at cost	**57,624**	69,192
Work in progress	**141**	1,191
	57,765	70,383
Less: allowance for obsolete inventory	**(11,674)**	(8,829)
Total inventories	**46,091**	61,554
Total inventories are comprised of:		
Current inventories	**27,757**	27,974
Non-current inventories	**18,334**	33,580
Total	**46,091**	61,554

Note 8 Property, plant and equipment

8.1 Classes

	Parent / Consolidated 30.6.2015 $'000	30.6.2014 $'000
Buildings		
Gross carrying amount	**249,262**	242,425
Less accumulated depreciation	**(8,796)**	(19,563)
Total buildings	**240,466**	222,862
Rolling stock		
Gross carrying amount	**3,382,912**	3,375,452
Less accumulated depreciation	**(481,488)**	(377,859)
Total rolling stock	**2,901,424**	2,997,593
Plant and machinery		
Gross carrying amount	**85,224**	93,464
Less accumulated depreciation	**(55,080)**	(56,369)
Total plant and machinery	**30,144**	37,095
Capital work in progress		
Capital work in progress	**33,271**	2,494
Total capital work in progress	**33,271**	2,494
Total property plant and equipment	**3,205,305**	3,260,044

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

Buildings - with a gross carrying value of $249.3m (2014: $242.4m) and a net carrying amount of $240.5m (2014: $222.9m)

Rolling stock - with a gross carrying value of $2,677m (2014: $2,677m) and a net carrying amount of $2,490m (2014: $2,574m)

Plant and machinery - with a gross carrying value of $5.8m (2014: $5.8m) and a net carrying amount of $4.0m (2014: $4.4m)

Note 8 Property, plant and equipment (continued)

8.2 Asset class movement

Parent / Consolidated	Buildings $000	Rolling stock $000	Plant and machinery $000	Capital works in progress $000	Total $000
Gross carrying amount					
Balance at 1 July 2014	**242,425**	**3,375,452**	**93,464**	**2,494**	**3,713,835**
Transfers from Transport entities	-	-	**494**	-	**494**
Transfers to Transport entities	-	-	**(4,050)**	-	**(4,050)**
Additions	-	**7,460**	**2,669**	**30,777**	**40,906**
Disposals/derecognition/ write-offs	-	-	**(7,206)**	-	**(7,206)**
Revaluations	**6,837**	-	-	-	**6,837**
Other movements	-	-	**(147)**	-	**(147)**
Balance at 30 June 2015	**249,262**	**3,382,912**	**85,224**	**33,271**	**3,750,669**
Balance at 7 December 2012	-	-	-	-	-
Transfers from RailCorp	242,417	2,081,443	90,107	38,694	2,452,661
Additions	-	778,982	-	36,346	815,328
Disposals/derecognition/ write-offs	-	-	(510)	(43)	(553)
Revaluations	-	444,451	1,877	-	446,328
Other movements	8	70,576	1,990	(72,503)	71
Balance at 30 June 2014*	242,425	3,375,452	93,464	2,494	3,713,835
Accumulated depreciation					
Balance at 1 July 2014	**(19,563)**	**(377,859)**	**(56,369)**	-	**(453,791)**
Depreciation for the year	**(3,825)**	**(103,629)**	**(6,941)**	-	**(114,395)**
Revaluations	**14,592**	-	-	-	**14,592**
Transfers from Transport entities	-	-	**(239)**	-	**(239)**
Transfers to Transport entities	-	-	**2,856**	-	**2,856**
Disposals/derecognition/ write-offs	-	-	**5,473**	-	**5,473**
Other movements	-	-	**140**	-	**140**
Balance at 30 June 2015	**(8,796)**	**(481,488)**	**(55,080)**	-	**(545,364)**
Balance at 7 December 2012	-	-	-	-	-
Depreciation for the period	(4,848)	(80,778)	(7,274)	-	(92,900)
Revaluations	-	(18,178)	(1,624)	-	(19,802)
Transfers from RailCorp	(14,715)	(278,903)	(47,828)	-	(341,446)
Disposals/derecognition/ write-offs	-	-	361	-	361
Other movements	-	-	(4)	-	(4)
Balance at 30 June 2014*	(19,563)	(377,859)	(56,369)	-	(453,791)
Net carrying amounts					
At 7 December 2012	-	-	-	-	-
At 1 July 2013	227,702	1,802,540	42,279	38,694	2,111,215
At 1 July 2014*	222,862	2,997,593	37,095	2,494	3,260,044
At 30 June 2015	**240,466**	**2,901,424**	**30,144**	**33,271**	**3,205,305**

*The balance at 1 July 2014 relates to Sydney Trains only.

Note 8 Property, plant and equipment (continued)

8.3 Valuation of property, plant and equipment

To confirm that the carrying value of the asset classes for buildings and rolling stock materially reflects fair value as at 30 June 2015, independent valuers reviewed the appropriateness of the replacement costs as at 28 February 2015 for rolling stock and confirmed again at 30 June 2015. Buildings were revalued during the current year.

(a) Buildings

The Auburn Maintenance Facility (AMF) was designed and manufactured by Reliance Rail under the Rolling Stock Public Private Partnership (PPP) contract with Sydney Trains which incorporates a finance lease arrangement. The AMF leased asset at 30 June 2015 was $240.5m (2014: $222.9m) and the associated finance lease liability, inclusive of accrual interest was $264.2m (2014: $263.1m).

AMF reached practical completion on 18 June 2010 and was valued by an independent valuer (Advisian) on the basis of existing use as at 1 November 2014 and confirmed again at 30 June 2015.

(b) Rolling stock

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

Independent valuers reviewed the appropriateness of replacements costs as at 28 February 2015 to ensure the carrying amount materially reflects the fair value and confirmed at 30 June 2015.

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

	Parent / Consolidated 30.6.2015 $'000	30.6.2014 $'000
Software / Licenses		
Gross carrying amount	**406,129**	382,889
Less accumulated amortisation	**(219,661)**	(199,727)
Net carrying amount of software / licenses works in progress	**186,468**	183,162
Software / licenses works in progress	**12,887**	21,868
Total intangible assets	**199,355**	205,030

9.2 Movements during the period

Parent / Consolidated	**Software / Licenses $'000**	**Software / Licenses works in progress $'000**	**Total $'000**
2015			
Carrying amount at start of year	**183,162**	**21,868**	**205,030**
Transfer from RailCorp	**23,865**	**-**	**23,865**
Additions	**-**	**15,764**	**15,764**
Transfers from Transport entities	**1,462**	**-**	**1,462**
Transfers to Transport entities	**(2,736)**	**(1,026)**	**(3,762)**
Disposals/write-offs	**(104)**	**(995)**	**(1,099)**
Amortisation expense	**(41,905)**	**-**	**(41,905)**
Other movements	**22,724**	**(22,724)**	**-**
Carrying amount at end of year	**186,468**	**12,887**	**199,355**
2014			
Carrying amount at start of period	-	-	-
Transfer from RailCorp	184,111	43,824	227,935
Additions	-	24,510	24,510
Disposals/write-offs	(351)	(1,262)	(1,613)
Amortisation expense	(45,802)	-	(45,802)
Other movements	45,204	(45,204)	-
Carrying amount at end of period*	183,162	21,868	205,030

*The carrying amount for 2014 relates to the Parent entity only.

Note to the Financial Statements for the year ended 30 June 2015

Note 10 Trade and other payables

10.1 Trade and other payables

	Consolidated 30.6.2015 $'000	Parent 30.6.2015 $'000	30.6.2014 $'000
Trade payables	**111,066**	**111,066**	120,978
Inter entity payables	**39,179**	**39,179**	40,073
Capital works accruals	**18,689**	**18,689**	9,233
Accrued salaries and wages	**36,411**	**36,411**	35,225
Other payables and accruals	**242,745**	**242,745**	237,922
Deferred revenue	**5,455**	**5,455**	18,261
Total trade and other payables	**453,545**	**453,545**	461,692

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 17.

Note 11 Finance lease liabilities

	Note	Parent / Consolidated 30.6.2015 $'000	30.6.2014 $'000
Current			
Finance lease liabilities	14.3	**13,392**	74,024
		13,392	74,024
Non-current			
Finance lease liabilities	14.3	**1,995,664**	1,989,254
		1,995,664	1,989,254
Total finance lease liabilities		**2,009,056**	2,063,278

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

Note 12 Provisions

12.1 Provisions

	Note	Parent / Consolidated 30.6.2015 $'000	30.6.2014 $'000
Current provisions			
Annual leave (see note (a) below)		**133,165**	126,641
Long service leave (see note (a) below)	12.3	**212,593**	196,297
Pay in lieu of certain holidays worked (see note (a) below)		**19,346**	18,058
Redundancy	12.8	**34,226**	21,532
Total current employee benefits		**399,330**	362,528
Workers' compensation	12.5	**3,417**	1,567
Public liability claims	12.6	**-**	85
Ballast disposal	12.7	**3,569**	3,930
Restoration of leased premises	12.9	**4,864**	-
Total current provisions		**411,180**	368,110
Non-current provisions			
Superannuation	12.2	**297,742**	238,821
Long service leave (see note (a) below)	12.3	**21,962**	17,065
Total non-current employee benefits		**319,704**	255,886
Workers' compensation	12.5	**12,660**	8,808
Ballast disposal	12.7	**5,681**	8,194
Restoration of leased premises	12.9	**6,676**	-
Total non-current provisions		**344,721**	272,888
Total provisions			
Superannuation	12.2	**297,742**	238,821
Annual leave		**133,165**	126,641
Long service leave	12.3	**234,555**	213,362
Pay in lieu of certain holidays worked		**19,346**	18,058
Redundancy provision	12.8	**34,226**	21,532
Total employee benefits		**719,034**	618,414
Workers' compensation	12.5	**16,077**	10,375
Public liability claims	12.6	**-**	85
Ballast disposal	12.7	**9,250**	12,124
Restoration of leased premises	12.9	**11,540**	-
Total provisions		**755,901**	640,998

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

Note 12 Provisions (continued)

12.1 Provisions (continued)

Parent and Consolidated	Within 12 months $'000	Later than 12 months $'000	Total $'000
2015			
Long service leave	**30,068**	**204,487**	**234,555**
Annual leave	**106,624**	**26,541**	**133,165**
Pay in lieu of certain holidays worked	**19,346**	**-**	**19,346**
	156,038	**231,028**	**387,066**
2014			
Long service leave	22,074	191,288	213,362
Annual leave	84,492	42,149	126,641
Pay in lieu of certain holidays worked	18,058	-	18,058
	124,624	233,437	358,061

12.2 Superannuation

12.2.1 Overview

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

An underfunded scheme is recognised as a provision and an overfunded scheme is recognised as an asset. Details of both provisions and assets are provided in various tables later disclosed in this note.

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 2012. The next actuarial investigation is due as at 30 June 2015 and the report is expected to be released by the end of 2015.

Notes to the Financial Statements for the year ended 30 June 2015

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.1 Overview (continued)

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

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

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

Description of risks

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

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

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

Description of significant events

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

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.1 Overview (continued)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Superannuation Position for AASB 119 purposes				
2015				
Accrued liability (Note 1)	**1,047,798**	**110,025**	**6,451**	**1,164,274**
Estimated reserve account balance	**(779,276)**	**(84,428)**	**(2,828)**	**(866,532)**
1. Deficit/(surplus)	**268,522**	**25,597**	**3,623**	**297,742**
2. Future service liability (Note 2)	**49,780**	**36,194**	**311**	**86,285**
3. Surplus in excess of recovery available from schemes (-1.-2, and subject to a minimum of zero)	**-**	**-**	**-**	**-**
Net (asset)/ liability to be recognised in Statement of Financial Position (1 + 3)	**268,522**	**25,597**	**3,623**	**297,742**
2014				
Accrued liability (Note 1)	968,363	103,527	5,603	1,077,493
Estimated reserve account balance	(754,812)	(81,324)	(2,537)	(838,673)
1. Deficit/(surplus)	213,551	22,203	3,066	238,820
2. Future service liability (Note 2)	54,832	43,115	393	98,340
3. Surplus in excess of recovery available from schemes (-1.-2, and subject to a minimum of zero)	-	-	-	-
Net (asset)/ liability to be recognised in Statement of Financial Position (1 + 3)	213,551	22,203	3,066	238,820

Note 1
The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(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)

	SASS	SANCS	SSS
Member numbers			
30 June 2015			
Contributors	**1,687**	**1,690**	**3**
Deferred benefits	**-**	**-**	**-**
Pensioners	**76**	**-**	**1**
Pensions fully commuted	**-**	**-**	**-**
30 June 2014			
Contributors	1,851	1,855	4
Deferred benefits	-	-	-
Pensioners	27	-	-
Pensions fully commuted	-	-	-

Note 12 Provisions (continued)

12.2 Superannuation (continued)

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

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
2015				
Net Defined Benefit Liability/(Asset) at start of year	**213,551**	**22,203**	**3,067**	**238,821**
Net Defined Benefit Liability transferred from Railcorp upon administrative restructure at 31 July 2014	**20,107**	**2,106**	**-**	**22,213**
Current service cost	**14,158**	**4,710**	**122**	**18,990**
Net Interest on the net defined benefit liability/(asset)	**7,849**	**788**	**109**	**8,746**
Past service cost	**-**	**-**	**-**	**-**
(Gains)/losses arising from settlements	**-**	**-**	**-**	**-**
Actual return on Fund assets less Interest income	**(56,170)**	**(6,065)**	**(227)**	**(62,462)**
Actuarial (gains)/losses arising from changes in demographic assumptions	**6,531**	**778**	**(78)**	**7,231**
Actuarial (gains)/losses arising from changes in financial assumptions	**44,909**	**4,386**	**624**	**49,919**
Actuarial (gains)/losses arising from liability experience	**25,523**	**(773)**	**6**	**24,756**
Adjustment for effect of asset ceiling	**-**	**-**	**-**	**-**
Employer contributions	**(166)**	**-**	**-**	**(166)**
Effects of transfers in/out due to business combinations and disposals at 31 July 2014	**(7,770)**	**(2,536)**	**-**	**(10,306)**
Net defined benefit liability/(asset) at end of year	**268,522**	**25,597**	**3,623**	**297,742**
2014				
Net Defined Benefit Liability/(Asset) at start of year	-	-	-	-
Net Defined Benefit Liability transferred from Railcorp upon administrative restructure at 1/7/2013	167,267	17,610	-	184,877
Adjusted Net Defined Benefit Liability/(Asset) at start of year after transfers	167,267	17,610	-	184,877
Current service cost	11,303	3,720	39	15,062
Net Interest on the net defined benefit liability/(asset)	3,260	414	18	3,692
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(63,260)	(5,491)	(127)	(68,878)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	50,121	8,485	318	58,924
Actuarial (gains)/losses arising from liability experience	44,970	(2,535)	2,819	45,254
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(110)	-	-	(110)
Net Defined Benefit Liability/(Asset) at end of year	213,551	22,203	3,067	238,821

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.3 Reconciliation of the fair value of fund assets

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
2015				
Fair value of Fund assets at beginning of year	**754,812**	**81,324**	**2,537**	**838,673**
Bulk transfer in upon administrative restructure at 31 July 2014 from Railcorp	**70,622**	**7,775**	**-**	**78,397**
Interest income	**25,910**	**2,798**	**91**	**28,799**
Actual return on Fund assets less Interest income	**56,170**	**6,065**	**227**	**62,462**
Employer contributions	**166**	**-**	**-**	**166**
Contributions by participants	**8,466**	**-**	**42**	**8,508**
Benefits paid	**(91,652)**	**(11,705)**	**(61)**	**(103,418)**
Taxes, premiums & expenses paid	**1,965**	**1,787**	**(8)**	**3,744**
Transfers in/out due to business combinations and disposals at 31 July 2014	**(47,183)**	**(3,616)**	**-**	**(50,799)**
Contributions to accumulation section	**-**	**-**	**-**	**-**
Settlements	**-**	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**	**-**
Fair value of Fund assets at end of year	**779,276**	**84,428**	**2,828**	**866,532**
2014				
Fair value of Fund assets at beginning of year	-	-	-	-
Bulk transfer in upon administrative restructure at 1/7/2013 from Railcorp	668,872	72,970	-	741,842
Adjusted fair value of Fund assets at beginning of the year after transfers	668,872	72,970	-	741,842
Interest income	24,659	2,660	15	27,334
Actual return on Fund assets less Interest income	63,260	5,491	127	68,878
Employer contributions	110	-	-	110
Contributions by participants	9,105	-	-	9,105
Transfers in/(Benefits paid)	(10,654)	(1,656)	2,398	(9,912)
Taxes, premiums & expenses paid	(540)	1,859	(3)	1,316
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of year	754,812	81,324	2,537	838,673

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.4 Reconciliation of the defined benefit obligation

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
2015				
Present value of defined benefit obligations at beginning of the year	**968,363**	**103,527**	**5,604**	**1,077,494**
Bulk transfer in upon administrative restructure at 31 July 2014 from Railcorp	**90,729**	**9,881**	**-**	**100,610**
Current service cost	**14,158**	**4,710**	**122**	**18,990**
Interest cost	**33,759**	**3,586**	**200**	**37,545**
Contributions by participants	**8,466**	**-**	**42**	**8,508**
Actuarial (gains)/losses arising from changes in demographic assumptions	**6,531**	**778**	**(78)**	**7,231**
Actuarial (gains)/losses arising from changes in financial assumptions	**44,909**	**4,386**	**624**	**49,919**
Actuarial (gains)/losses arising from liability experience	**25,523**	**(773)**	**6**	**24,756**
Benefits paid	**(91,652)**	**(11,705)**	**(61)**	**(103,418)**
Taxes, premiums & expenses paid	**1,965**	**1,787**	**(8)**	**3,744**
Transfers in/out due to business combinations and disposals at 31 July 2014	**(54,953)**	**(6,152)**	**-**	**(61,105)**
Contributions to accumulation section	**-**	**-**	**-**	**-**
Past service cost	**-**	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**	**-**
Present value of defined benefit obligations at end of the year	**1,047,798**	**110,025**	**6,451**	**1,164,274**
2014				
Present value of defined benefit obligations at beginning of the year	-	-	-	-
Bulk transfer in upon administrative restructure at 1/7/2013 from Railcorp	836,139	90,580	-	926,719
Adjusted present value of defined benefit obligations at beginning of the year	836,139	90,580	-	926,719
Current service cost	11,302	3,721	39	15,062
Interest cost	27,920	3,073	33	31,026
Contributions by participants	9,105	-	-	9,105
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	50,121	8,485	318	58,924
Actuarial (gains)/losses arising from liability experience	44,970	(2,535)	2,819	45,254
Transfers in/(Benefits paid)	(10,654)	(1,656)	2,398	(9,912)
Taxes, premiums & expenses paid	(540)	1,859	(3)	1,316
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	968,363	103,527	5,604	1,077,494

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.5 Reconciliation of the effect of the asset ceiling

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
2015				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-
2014				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

12.2.6 Fair value of Fund assets

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

	Total $m	Quoted prices in active markets for identical assets Level 1 $m	Significant observable inputs Level 2 $m	Unobservable inputs Level 3 $m
Asset category				
As at 30 June 2015				
Short Term Securities	**2,642**	**96**	**2,546**	**-**
Australian Fixed Interest	**2,657**	**1**	**2,639**	**17**
International Fixed Interest	**1,004**	**-**	**1,004**	**-**
Australian Equities	**10,407**	**9,899**	**504**	**4**
International Equities	**13,111**	**9,963**	**2,585**	**563**
Property	**3,452**	**948**	**718**	**1,786**
Alternatives	**7,170**	**622**	**3,020**	**3,528**
Total	**40,443**	**21,529**	**13,016**	**5,898**
As at 30 June 2014				
Short Term Securities	2,453	1,573	880	-
Australian Fixed Interest	2,365	11	2,354	-
International Fixed Interest	881	-	881	-
Australian Equities	11,739	11,495	241	3
International Equities	10,954	8,173	2,781	-
Property	3,273	894	692	1,687
Alternatives	6,329	565	4,897	867
Total*	37,994	22,711	12,726	2,557

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.6 Fair value of Fund assets (continued)

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

	30.06.2015 %	30.06.2014 %
Short Term Securities	**6.5**	6.5
Australian Fixed Interest	**6.6**	6.2
International Fixed Interest	**2.5**	2.3
Australian Equities	**25.7**	30.9
International Equities	**32.4**	28.8
Property	**8.6**	8.6
Alternatives	**17.7**	16.7
Total	**100.0**	100.0

^Additional to the assets disclosed above, at 30 June 2015 the Pooled Fund has provisions for receivables/(payables) estimated to be around $1.74 billion. This gives total estimated assets of $42.2 billion.

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.

12.2.7 Fair value of entity's own financial instruments

The fair value of the Pooled Fund assets as at 30 June 2015 include $209.2 million in NSW government bonds.

12.2.8 Significant actuarial assumptions at the reporting date

	30.6.2015	30.6.2014
Discount rate	**3.03% pa**	3.57% pa
Salary increase rate (excluding promotional increases)	**2.50% 2015/2016 to 2018/2019; 3.50% 2019/2020; 3.00% pa 2021/2022 to 2024/2025; 3.50% pa thereafter**	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter
Rate of CPI increase	**2.50% 2015/2016; 2.75% 2016/2017 & 2017/2018; 2.50% pa thereafter**	2.5% pa
Pensioner mortality	**as per the 2012 Actuarial Investigation of the Pooled Fund**	as per the 2012 Actuarial Investigation of the Pooled Fund

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.9 Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2015 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 2015.

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

As at 30 June 2015

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	**3.03%**	**2.03%**	**4.03%**
Rate of CPI increase	**as above**	**as above**	**as above**
Salary inflation rate	**as above**	**as above**	**as above**
Defined benefit obligation (A$'000)	**1,164,275**	**1,278,167**	**1,071,179**

	Base case	Scenario C +0.5% rate of CPI increase discount rate	Scenario D -0.5% rate of CPI increase discount rate
Discount rate	**as above**	**as above**	**as above**
Rate of CPI increase	**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 (A$'000)	**1,164,275**	**1,185,948**	**1,144,668**

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	**as above**	**as above**	**as above**
Rate of CPI increase	**as above**	**as above**	**as above**
Salary inflation rate	**as above**	**above rates plus 0.5% pa**	**above rates less 0.5% pa**
Defined benefit obligation (A$'000)	**1,164,275**	**1,194,209**	**1,135,832**

	Base case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation (A$'000)	**1,164,275**	**1,160,964**	**1,167,775**

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

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.9 Sensitivity Analysis (continued)

As at 30 June 2014

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	1,077,493	1,188,117	986,838

	Base case	Scenario C +0.5% rate of CPI increase discount rate	Scenario D -0.5% rate of CPI increase discount rate
Discount rate	as above	as above	as above
Rate of CPI increase	2.50%	3.00%	2.00%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	1,077,493	1,094,664	1,061,905

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A$'000)	1,077,493	1,110,581	1,046,130

	Base case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation (A$'000)	1,077,493	1,074,878	1,080,251

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

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.10 Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

12.2.11 Funding arrangements

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

The next triennial review as at 30 June 2015, the report is expected to be released by the end of 2015.

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

(a) Surplus/deficit

The following is a summary of the 30 June 2015 financial position of the Fund calculated in accordance with Australian Accounting Standard (AAS) 25 "Financial Reporting by Superannuation Plans":

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
30.06.2015				
Accrued benefits*	**766,453**	**80,322**	**2,845**	**849,620**
Net market value of Fund assets	**(779,275)**	**(84,428)**	**(2,828)**	**(866,531)**
Net (surplus)/deficit	**(12,822)**	**(4,106)**	**17**	**(16,911)**

*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

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

(b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
2015	-	-	-
2014	-	-	-

(c) Economic assumptions

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

Weighted average assumptions	**2015**	**2014**
Expected rate of return on Fund assets backing current pension liabilities	**8.3% pa**	8.3% pa
Expected rate of return on Fund assets backing other liabilities	**7.3% pa**	7.3% pa
Expected salary increase rate (excluding promotional increases)	**SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter**	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	**2.5% pa**	2.5% pa

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.12 Expected contributions

Expected employer contribution is $12m (2014: nil).

12.2.13 Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 11.1 years (2014: 11.9 years).

12.2.14 Profit and loss impact

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Financial year to 30 June 2015				
Current service cost	**14,158**	**4,710**	**122**	**18,990**
Net interest	**7,849**	**788**	**109**	**8,746**
Past service cost	**-**	**-**	**-**	**-**
(Gains)/Loss on settlement	**-**	**-**	**-**	**-**
Profit and loss component of the Defined Benefit Cost	**22,007**	**5,498**	**231**	**27,736**
Financial year to 30 June 2014				
Current service cost	11,303	3,720	39	15,062
Net interest	3,260	414	18	3,692
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Defined benefit cost	14,563	4,134	57	18,754

12.2.15 Impact of Railcorp Restructure at 31 July 2014

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Financial year to 30 June 2015				
Net Defined Benefit Liability transferred from Railcorp upon administrative restructure at 31 July 2014	**20,107**	**2,106**	**-**	**22,213**

12.2.16 Other comprehensive income

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Financial year to 30 June 2015				
Actuarial (gains) losses on liabilities	**76,963**	**4,391**	**552**	**81,906**
Actual return on Fund assets less Interest income	**(56,170)**	**(6,065)**	**(227)**	**(62,462)**
Effects of transfers in/out due to business combinations and disposals at 31 July 2014	**(7,770)**	**(2,536)**	**-**	**(10,306)**
Total remeasurement in other comprehensive income	**13,023**	**(4,210)**	**325**	**9,138**
Financial year to 30 June 2014				
Actuarial (gains) losses on liabilities	95,090	5,950	3,137	104,177
Actual return on Fund assets less Interest income	(63,260)	(5,491)	(127)	(68,878)
Total remeasurement in other comprehensive income	31,830	459	3,010	35,299

Note 12 Provisions (continued)

12.3 Long service leave

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

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

The liability for long service leave was assessed by a consulting actuary, Mr G. Holley FIAA of Mercer Human Resource Consulting. The actuary assumed an interest rate of 3.0% (2014: 3.5%) and a salary growth rate of 3.1% (2014: 2.5%) per annum.

12.4 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of period $'000	Transfers from RailCorp $'000	Increase in provision $'000	Discounting adjustment $'000	Subtotal $'000	Payment of claims $'000	Unused amount reversed $'000	Carrying amount at end of period $'000
2015								
Workers Compensation	**10,375**	**-**	**9,887**	**220**	**20,482**	**4,405**	**-**	**16,077**
Public liability claims	**85**	**-**	**-**	**-**	**85**	**55**	**30**	**-**
Ballast disposal	**12,124**	**-**	**8,275**	**278**	**20,677**	**5,857**	**5,570**	**9,250**
Restoration of leased premises	**-**	**-**	**12,117**	**(259)**	**11,858**	**318**	**-**	**11,540**
2014								
Workers Compensation	-	-	13,464	-	13,464	3,089	-	10,375
Public liability claims	-	-	85	-	85	-	-	85
Ballast disposal	-	16,725	10,694	270	27,689	10,491	5,074	12,124

12.5 Workers' compensation

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

The workers' compensation liability at year end was assessed by McMahon Actuarial Services assuming a discount rate ranging from 1.9% to 4.1% (2014: 2.5% to 4.3%) per annum over the next 10 years and a future wage inflation rate of 4.0% (2014: 4%) per annum over the next 10 years.

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

Note 12 Provisions (continued)

12.6 Public liability claims

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

Any claim recoverable from Sydney Trains' insurer is also recognised as a receivable or disclosed as a contingent asset, depending on its probability of settlement. Refer Notes 6 and 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 liability is inherently uncertain due to disputes over the existence or quantum of individual claims.

12.7 Ballast disposal provision

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

The liability was assessed at 30 June 2015 (2014: 31 March 2014) by management after investigation of stockpiles at the Chullora site. The liability is inherently uncertain due to the quantum and timing of future disposal.

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.

12.9 Restoration of leased premises

The provision recognises Sydney Trains' obligation to restore premises leased from external parties to their original condition at the end of the lease term.

The liability at year end is management's assessment of the costs to settle the obligation.

Note 13 Contributed equity

13.1 Contributed equity

	Note	Consolidated 30.6.2015 $'000	Parent 30.6.2015 $'000	30.6.2014 $'000
Contributed equity at start of period		**314,759**	**314,759**	-
Net assets contributed by Government	13.2	**892,335**	**892,335**	314,759
Contributed equity at end of period		**1,207,094**	**1,207,094**	314,759

13.2 Net assets contributed by the Government

The net transfers noted below are considered to be a contribution by owner in accordance with TPP 09-3 *Accounting Policy: Contribution by Owners made to wholly owned public sector entities* and are treated as an adjustment to equity.

In particular:

- Administrative orders transferred staff and associated employee liabilities of $93.1m, payables of $0.6m and receivables of $0.083m from RailCorp to Sydney Trains in July and August 2014.
- Sydney Trains gained control of Transport Cleaning Services on 1 August 2014 which resulted in the transfer of cash of $5.5m, receivables of $6.1m and payables of $11.6m to the consolidated entity.
- Ministerial vesting orders transferred cash of $1.1m, receivables of $7.5m and payables of $8.6m from Transport Cleaning Services to Sydney Trains on 30 June 2015.
- Ministerial vesting orders transferred equity by way of a receivable of $989.2m from RailCorp to Sydney Trains as a result of capital structure arrangements.

In the prior year assets of $994.7m and liabilities of $102.3m were transferred to Sydney Trains on 1 July 2013 as part of the restructure of the NSW rail industry.

	Consolidated 30.6.2015 $'000	Parent 30.6.2015 $'000	30.6.2014 $'000
Assets transferred to/ from other entities			
Cash assets	**5,535**	**1,128**	76,357
Trade and other receivables	**6,211**	**7,539**	27,049
Inventories	-	-	55,526
Derivative financial instruments (current)	-	-	1,976
Inter entity receivable	**989,236**	**989,236**	-
Property, plant and equipment	**(939)**	**(939)**	2,111,215
Intangible Assets	**(2,300)**	**(2,300)**	227,935
Other non-current assets	-	-	11,923
Derivative financial instruments (non current)	-	-	474
Total assets	**997,743**	**994,664**	2,512,455
Liabilities transferred from other entities			
Trade and other payables	**(12,277)**	**(9,198)**	(320,085)
Finance lease liabilities (current)	-	-	(61,870)
Finance lease liabilities (non current)	-	-	(1,271,193)
Provisions (current)	**(68,593)**	**(68,593)**	(308,438)
Provisions (non current)	**(24,538)**	**(24,538)**	(233,660)
Derivative financial instruments liabilities (current)	-	-	(784)
Derivative financial instruments liabilities (non current)	-	-	(103)
Total liabilities	**(105,408)**	**(102,329)**	(2,196,133)
Net assets transferred	**892,335**	**892,335**	316,322
Hedging Reserves	-	-	(1,563)
Contributed equity	**892,335**	**892,335**	314,759

Note 14 Expenditure commitments

14.1 Expenditure commitments

	Parent / Consolidated 30.6.2015 $'000	30.6.2014 $'000
Operating leases		
Within 12 months	**6,933**	11,162
12 months or longer but not longer than 5 years	**9,985**	8,536
Longer than 5 years	**-**	12,892
Total operating leases	**16,918**	32,590
Total property, plant & equipment (including intangible assets)	**13,201**	12,172
Total committed	**30,119**	44,762

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of $2.7m (2014: $4.1m) are expected to be recoverable from the Australian Taxation Office.

For more details on rolling stock PPP contract commitments refer note 14.3.

14.2 Minimum lease payments committed under non-cancellable operating lease

	Parent / Consolidated 30.6.2015 $'000	30.6.2014 $'000
Within 12 months	**6,730**	10,935
12 months or longer but not longer than 5 years	**9,985**	8,536
Longer than 5 years	**-**	12,892
Total committed	**16,715**	32,363

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of $1.5m (2014: $2.9m) are expected to be recoverable from the Australian Taxation Office.

Note 14 Expenditure commitments (continued)

14.3 Rolling stock PPP contract commitments

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

Payments under the Rolling Stock Public Private Partnership (PPP) contract are being made via a series of Standard Availability Unit (SAUs) payments by Sydney Trains to Reliance Rail. The SAU payments are indexed to CPI.

Overall, the total payments to be made by Sydney Trains to Reliance Rail, including milestone payments and financing costs, over the term of the project are estimated to be $9,069m (2014: $9,397m) in nominal dollars.

The Sydney Trains agreement with Reliance Rail constitutes a finance lease, refer Note 2.6(i). These assets and associated finance lease liabilities are recognised on completion and delivery of the assets. The weighted average discount rate at 30 June 2015 for the finance lease liabilities were 9.33% (2014: 9.34%).

The Auburn Maintenance Facility (AMF) reached practical completion on 18 June 2010. The lease liability, inclusive of accrued interest, at 30 June 2015 was $264.2m (2014: $263.1m).

The Simulators achieved practical completion on 30 September 2010. The lease liability, inclusive of accrued interest, at 30 June 2015 was $4.8m (2014: $4.7m).

The 78th and final set of Rolling Stock achieved Practical Completion on 29 May 2014. The remaining 2 spare carriages will be recognised as an addition to leased rolling stock and rolling stock lease liability when they are provided by Reliance Rail. Milestone payments made in respect of design and development of the rolling stock are applied to the rolling stock lease liability. The lease liability, inclusive of the application of the milestone payment and accrued interest at 30 June 2015 was $1,740.1m (2014: $1,795.4m).

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

Interest of $19.8m (2014: $30.0m) has been accrued in respect to the finance lease liability for the rolling stock, maintenance facility and simulators.

The final design milestone payment of $5m was made in 2014-15 (2013-14: Nil) to Reliance Rail related to the rolling stock. Design milestone payments are interest free advances pending delivery of the associated asset upon which event those advances are applied against the finance lease liability.

Final Completion payments of $69.0m were made in 2014-15 (2013-14: $66.8m) to Reliance Rail related to rolling stock. Those payments are made and applied against the finance lease liability once in service performance criteria have been achieved and minor defects closed out.

Note 14 Expenditure commitments (continued)

14.3 Rolling stock PPP contract commitments (continued)

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

	Note	Parent / Consolidated 30.6.2015 $'000	30.6.2014 $'000
Finance lease liabilities			
Within 12 months		**162,726**	159,259
12 months or longer but no longer than 5 years		**695,900**	755,433
Longer than 5 years		**5,034,711**	5,212,321
Total minimum lease payments		**5,893,337**	6,127,013
Less amount representing finance charges		**(3,884,281)**	(4,063,735)
Present value of net future minimum lease payments (included in the Financial Statements as finance lease liabilities)		**2,009,056**	2,063,278
Classified as:			
Current	11	**13,392**	74,024
Non-current	11	**1,995,664**	1,989,254
Total		**2,009,056**	2,063,278
Other PPP contract commitments			
Within 12 months		**117,477**	189,399
12 months or longer but no longer than 5 years		**355,984**	280,258
Longer than 5 years		**2,701,852**	2,800,642
Total other PPP contract commitments		**3,175,313**	3,270,299

Other PPP contract commitments represent future payments relating to maintenance and other future payments as at 30 June 2015.

Note 15 Contingent liabilities and contingent assets

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

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

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

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

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

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

Note 16 Fair value measurements of non-financial assets

16.1 Fair value measurements of non-financial assets

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

Sydney Trains 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 2015.

Recurring fair value measurements	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2015				
Plant and machinery	-	36	30,108	30,144
Rolling stock	-	-	2,901,424	2,901,424
Building	-	-	240,466	240,466
Total recurring fair value measurements	-	36	3,171,998	3,172,034
2014				
Plant and machinery	-	223	36,872	37,095
Rolling stock	-	-	2,997,593	2,997,593
Building	-	-	222,862	222,862
Total recurring fair value measurements	-	223	3,257,327	3,257,550

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

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

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

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

16.2 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, buildings and plant & machinery that are not traded in an active market is determined using valuation techniques. The valuation techniques adapted the use of the cost approach in view of the specialised nature of the assets and the not for profit nature of Sydney Trains. The fair value measurement reflected the lowest cost amount to replace the service capacity with a technologically modern equivalent optimised asset adjusted for obsolescence. The cost approach was consistent with the previous valuations of the assets prior to vesting to Sydney Trains. In arriving at the fair value for rolling stock inputs other than quoted prices for similar assets that were observable was used with adjustments made to account for their operational suitability to Sydney Trains assets. All of the resulting fair value estimates are included either in level 2 or in level 3.

Note 16 Fair value measurements of non-financial assets (continued)

16.3 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 2015.

	Plant and machinery $'000	Rolling stock $'000	Building $'000	Total $'000
2015				
Fair value at 1 July 2014	**36,872**	**2,997,593**	**222,862**	**3,257,327**
Additions vested from Rail Corp	**-**	**-**	**-**	**-**
Transfers out of level 3	**-**	**-**	**-**	**-**
Additions	**2,924**	**7,460**	**-**	**10,384**
Disposals	**(2,934)**	**-**	**-**	**(2,934)**
Settlements	**-**	**-**	**-**	**-**
Gains/(losses) recognised in the Statement of Comprehensive Income*	**(6,754)**	**(103,629)**	**(3,825)**	**(114,208)**
Gains/(losses) recognised in Other Comprehensive Income	**-**	**-**	**21,429**	**21,429**
Fair value at 30 June 2015	**30,108**	**2,901,424**	**240,466**	**3,171,998**
2014				
Fair value as at 7 December 2012	-	-	-	-
Additions vested from Rail Corp	42,279	1,802,540	227,710	2,072,529
Transfers out of level 3	-	-	-	-
Additions	1,985	849,558	-	851,543
Disposals	(149)	-	-	(149)
Settlements	-	-	-	-
Gains/(losses) recognised in the Statement of Comprehensive Income*	(7,273)	(80,778)	(4,848)	(92,899)
Gains/(losses) recognised in Other Comprehensive Income	30	426,273	-	426,303
Fair value at 30 June 2014	36,872	2,997,593	222,862	3,257,327

*Gains/losses recognised in the Statement of Comprehensive Income relates to depreciation only.

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

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

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

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

Unobservable inputs for buildings include contractor and model indirect costs which are based on past index movements, current industry standards and similar project outcomes.

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

Note 16 Fair value measurements of non financial assets (continued)

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

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

Description	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship of unobservable inputs to fair value
Rolling Stock	Qualitative attractiveness is part of obsolescence, and is based on the age of fleet. Qualitative attractiveness represents the discount to cost for an older item and is known as the indifference rental.	5-20% based on fleet age of 10-30 years and above $26m	The older the fleet the greater the obsolescence attributed to qualitative attractiveness, and the lower the fair value. A 1% increase / decrease will change fair value by $260,000
	Other optimisation factors include: traction package; brake controller costs; air conditioning costs; disability compliance costs; passenger information system costs; video surveillance system costs and digital voice announcement system costs.	$4m	The higher the obsolescence factors, the lower the fair value. A 1% increase / decrease will change fair value by $40,000
Building	Contractor indirect costs are based on past related index movements and consist mainly of preliminaries, overhead and margin and professional fees.	44%	The higher the contractor indirect costs, the higher the fair value. A 5% increase /decrease will change fair value by $3.2m.
	Other model indirect costs are based on current industry standards / similar project outcomes and consist mainly of corporate overhead and project management	25%	The higher the indirects, the higher the fair value. A 5% increase / decrease will change fair value by approximately $1.8m

Note 17 Financial instruments

17.1 Financial instruments

Sydney Trains holds the following financial instruments:

	Consolidated 30.06.15 $'000	Parent 30.06.15 $'000	30.06.14 $'000
Financial assets			
Cash and cash equivalents	**303,460**	**303,460**	60,705
Trade and other receivables*	**209,888**	**209,888**	240,278
Inter entity receivable	**430,011**	**430,011**	-
Derivative financial assets	**2,307**	**2,307**	627
Total financial assets	**945,666**	**945,666**	301,610
Financial liabilities			
Trade and other payables**	**405,141**	**405,141**	396,654
Inter entity advance	**-**	**-**	198,000
Finance leases	**2,009,056**	**2,009,056**	2,063,278
Derivative financial liabilities	**4,599**	**4,599**	1,102
Total financial liabilities	**2,418,796**	**2,418,796**	2,659,034

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

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

17.2 Financial risks

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

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

The primary objective of this policy is to achieve management of all financial risks in strict compliance with internal policies and guidelines within the broad framework of the NSW Treasury Management Policy (TPP07-7 Commercial Policy Framework: Treasury Management Policy). Accounting for Treasury Instruments is in accordance with NSW Treasury accounting policy. Accounting for Financial Instruments (TPP08-1 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 in accordance with the *Public Authorities (Financial Arrangements) Act 1987.*

17.3 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.

Note 17 Financial instruments (continued)

17.3 Market risk (continued)

17.3.1 Foreign exchange risk

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

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

Purchases involving foreign currency risk exposure that exceeds an aggregate of AUD 25,000, are required to be reviewed in advance of the signing by the Treasury section to assess the financial risk and formulate strategies to manage the risk. The Treasury section confirms a budget rate with project managers based on current forward prices and hedging strategies implemented. Counterparty risk is minimised by conducting all foreign exchange transactions with eligible counterparties, refer Note 17.4.

Sydney Trains' controlled entity TCS did not engage in foreign exchange transactions.

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

Maturity Profiles	Weighted Average Exchange Rate 2015	2014	Contract Value 2015 AUD '000	2014 AUD '000	Fair Value 2015 AUD '000	2014 AUD '000
Contracts denominated in US Dollars						
Not later than 3 months	**0.9008**	0.9151	**4,585**	7,667	**5,381**	7,467
Later than 3 months and not later than 12 months	**0.8004**	0.8981	**11,198**	14,456	**11,782**	13,994
Later than 12 months	**0.8054**	0.9157	**8,014**	2,643	**8,603**	2,654
Total hedged US Dollar contracts			**23,797**	24,766	**25,766**	24,115
Contracts denominated in Euros						
Not later than 3 months	**0.6686**	0.6726	**4,233**	5,863	**4,114**	5,749
Later than 3 months and not later than 12 months	**0.6772**	0.6663	**866**	7,029	**856**	6,937
Later than 12 months	**-**	0.6708	**-**	76	**-**	76
Total hedged Euros contracts			**5,099**	12,968	**4,970**	12,762
Contracts denominated in Pounds Sterling						
Not later than 3 months	**0.5309**	0.5487	**2,329**	1,833	**2,527**	1,829
Later than 3 months and not later than 12 months	**-**	0.5433	**-**	1,271	**-**	1,267
Total hedged Pounds Sterling contracts			**2,329**	3,104	**2,527**	3,096
Total hedged purchase			**31,225**	40,837	**33,263**	39,973

Foreign exchange risk sensitivity analysis

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

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

Note 17 Financial instruments (continued)

17.3 Market risk (continued)

17.3.1 Foreign exchange risk (continued)

Based on the financial instruments held at 30 June 2015, had the AUD spot price weakened/strengthened by 10% against currencies in which contracts are held, with all other variables held constant, the impact on Comprehensive Income is shown in the table below.

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

Decrease of 10%	Surplus Higher/(Lower) 2015 AUD '000	Surplus Higher/(Lower) 2014 AUD '000	Other Comprehensive Income Higher/(Lower) 2015 AUD '000	Other Comprehensive Income Higher/(Lower) 2014 AUD '000
US Dollars	-	-	**(2,309)**	(2,161)
Euros	-	-	**(490)**	(1,146)
Pounds Sterling	-	-	**(229)**	(280)
Total	-	-	**(3,028)**	(3,587)

Increase of 10%	Surplus Higher/(Lower) 2015 AUD '000	Surplus Higher/(Lower) 2014 AUD '000	Other Comprehensive Income Higher/(Lower) 2015 AUD '000	Other Comprehensive Income Higher/(Lower) 2014 AUD '000
US Dollars	-	-	**2,822**	2,641
Euros	-	-	**510**	1,400
Pounds Sterling	-	-	**280**	342
Total	-	-	**3,612**	4,383

17.3.2 Commodity price risk

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

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

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

At 30 June 2015 there were only commodity hedge contracts in place for distillate purchases.

Maturity profiles	Contract Value 2015 $'000	Contract Value 2014 $'000	Fair Value 2015 $'000	Fair Value 2014 $'000
Not later than 1 year				
Favourable	**1,543**	12,727	**1,619**	13,074
Non-favourable	**15,580**	5,638	**12,165**	5,586
	17,123	18,365	**13,784**	18,660
Between 1 and 5 years				
Favourable	**3,200**	2,654	**3,242**	2,747
Non-favourable	**5,405**	-	**4,372**	-
	8,605	2,654	**7,614**	2,747
Total commodity swap contracts	**25,728**	21,019	**21,398**	21,407

Note 17 Financial Instruments (continued)

17.3 Market risk (continued)

17.3.2 Commodity price risk (continued)

Commodity price risk sensitivity analysis

Based on contracts in place at 30 June 2015, had the Singapore Gas Oil spot price weakened/strengthened by 10%, with all other variables held constant, the impact on Comprehensive Income is shown in the table below:

	Change in unit price	Impact on surplus		Impact on Other Comprehensive Income	
		2015	2014	**2015**	2014
		$'000	$'000	**$'000**	$'000
Commodity	-10%	-	-	**(1,972)**	(2,117)
Commodity	+10%	-	-	**1,972**	2,117

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

17.3.3 Interest rate risk

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

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

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

	Interest Rate		Principal Amount	
	2015	2014	**2015**	2014
	%	%	**$'000**	$'000
Financial assets				
Not later than 1 year				
Cash on hand	-	-	**2,868**	5,104
Cash at bank	**2.85**	3.35	**300,592**	55,601
Total financial assets			**303,460**	60,705
Financial liabilities				
Not later than 1 year				
Finance lease	-	-	**13,392**	74,024
Between 1 and 5 years				
Finance lease	-	-	-	-
Later than 5 years				
Finance lease	-	-	**1,995,664**	1,989,254
Total financial liabilities			**2,009,056**	2,063,278
Net exposure			**2,312,516**	2,123,983

Interest rate risk is not applicable to the finance lease

Note 17 Financial instruments (continued)

17.3 Market risk (continued)

17.3.3 Interest rate risk (continued)

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

	Change in yield	Impact on surplus		Impact on Other Comprehensive Income	
		2015	2014	**2015**	2014
		$'000	$'000	**$'000**	$'000
Bank deposits	1%	**3,006**	556	**-**	-

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

Investment
Sydney Trains held funds with Westpac Banking Corporation for operational purposes at 30 June 2015. The facility is designated at cost. Therefore any changes in price impacts on profit and loss (rather than comprehensive income). The deposits at balance date were earning an average interest rate of 2.85% (2014: 3.35%) while over the year the average interest rate was 3.21% (2014: 3.35%) on an average balance during the year of $78.3m (2014: $74.2m).

17.4 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).

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

Credit risk associated with Sydney Trains' financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. The *Public Authorities (Financial Arrangements) Act 1987 (NSW)* 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 $300.6m (2014: $55.6m) in cash at bank at 30 June 2015. This was held with Westpac Banking Corporation.

Note 17 Financial instruments (continued)

17.4 Credit risk (continued)

Derivatives
In relation to foreign exchange contracts and commodity swap transactions, Sydney Trains only transacts with counterparties with a Standard & Poor's long-term credit rating of A or greater. Sydney Trains held $2.3m (2014: $0.6m) in derivative financial assets and $4.6m (2014: $1.1m) in derivative financial liabilities.

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

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

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

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

17.5 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.

Note 17 Financial instruments (continued)

17.5 Liquidity risk (continued)

	Carrying Amount $'000	Contract Cash flow $'000	Less than 1 Year $'000	Between 1 and 5 Years $'000	Over 5 Years $'000
30 June 2015					
Financial assets					
Cash & cash equivalents	**303,460**	**303,460**	**303,460**	-	-
Trade and other receivables	**209,888**	**209,888**	**209,888**	-	-
Inter entity receivable	**430,011**	**430,011**	**430,011**	-	-
	943,359	**943,359**	**943,359**	-	-
Financial liabilities					
Trade and other payables	**405,141**	**405,141**	**405,141**	-	-
Finance lease liability	**2,009,056**	**5,893,337**	**162,726**	**695,900**	**5,034,711**
	2,414,197	**6,298,478**	**567,867**	**695,900**	**5,034,711**
Derivatives					
Forward exchange contracts outflow	**(33,263)**	**(31,225)**	**(23,210)**	**(8,015)**	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	**(21,398)**	**(25,728)**	**(17,123)**	**(8,605)**	-
Commodity swap contracts inflow	-	-	-	-	-
	(54,661)	**(56,953)**	**(40,333)**	**(16,620)**	-
30 June 2014					
Financial assets					
Cash & cash equivalents	60,705	60,705	60,705	-	-
Trade and other receivables	240,278	240,278	240,278	-	-
	300,983	300,983	300,983	-	-
Financial liabilities					
Trade and other payables	396,654	396,654	396,654	-	-
Inter entity advance	198,000	198,000	198,000	-	-
Finance lease liability	2,063,277	6,127,013	159,259	755,433	5,212,321
	2,657,931	6,721,667	753,913	755,433	5,212,321
Derivatives					
Forward exchange contracts outflow	(39,973)	(40,837)	(38,119)	(2,718)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(21,407)	(21,019)	(18,365)	(2,654)	-
Commodity swap contracts inflow	-	-	-	-	-
	(61,380)	(61,856)	(56,484)	(5,372)	-

17.6 Fair value compared to carrying amount

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

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial instrument assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

Note 17 Financial instruments (continued)

17.6 Fair value compared to carrying amount (continued)

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

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

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

	Fair value $'000	Carrying value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Fair value at 30 June 2015					
Financial assets					
Foreign exchange contracts	**25,798**	**23,610**	**-**	**25,798**	**-**
Commodity swap contracts	**4,861**	**4,743**	**-**	**4,861**	**-**
Total financial assets	**30,659**	**28,353**	**-**	**30,659**	**-**
Financial liabilities					
Foreign exchange contracts	**7,465**	**7,615**	**-**	**7,465**	**-**
Commodity swap contracts	**16,537**	**20,985**	**-**	**16,537**	**-**
Total financial liabilities	**24,002**	**28,600**	**-**	**24,002**	**-**
Fair value at 30 June 2014					
Financial assets					
Foreign exchange contracts	6,876	6,690	-	6,876	-
Commodity swap contracts	15,821	15,381	-	15,821	-
Total financial assets	22,697	22,071	-	22,697	-
Financial liabilities					
Foreign exchange contracts	33,097	34,147	-	33,097	-
Commodity swap contracts	5,586	5,638	-	5,586	-
Total financial liabilities	38,683	39,785	-	38,683	-

Note 18 Events occurring after reporting date

From 1 July 2015, RailCorp will progressively transition to the Transport Asset Holding Entity (TAHE). TAHE is a dedicated asset manager which will eventually hold all the public transport assets for the State, including possibly Sydney Trains assets.

The *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2015 (NSW)* resulted in the dissolution of Transport Cleaning Services on 1 July 2015.

The Minister approved the transfer of equity from RailCorp to Sydney Trains via vesting orders relating to capital structure arrangements. The inter entity receivable of $430m was subsequently paid by RailCorp in July 2015 which resulted in an increase to Sydney Trains cash.

(End of audited financial statements)

INDEPENDENT AUDITOR'S REPORT

SYDNEY TRAINS

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Sydney Trains, which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, 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 of Sydney Trains and the consolidated entity. The consolidated entity comprises Sydney Trains and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of Sydney Trains and the consolidated entity as at 30 June 2015, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

The Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

A. T. Whitfield

A T Whitfield PSM
Acting Auditor-General

17 September 2015
SYDNEY

Statement by the Chief Executive

In relation to the Financial Statements for the year ended 30 June 2015

Pursuant to section 41C (1B) of the *Public Finance and Audit Act 1983* and clause 7 of the Public Finance and Audit Regulation 2015, I declare that:

(a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of Transport Cleaning Services as at 30 June 2015 and of its financial performance for the year ended 30 June 2015.

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015, the Australian Accounting Standards, which includes Australian Accounting Interpretations, and Treasurer's directions.

(c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Howard Collins OBE
Chief Executive Sydney Trains

6 October 2015

(Start of audited financial statements)

Statement of Comprehensive Income for the year ended 30 June 2015

	Note	**2014-15 $'000**	2013-14 $'000
Income			
Fees from cleaning services		**77,742**	89,196
Interest		**55**	64
Income from operating activities		**77,797**	89,260
Expenses			
Operating expenses	3.1	**77,797**	89,260
Total expenses		**77,797**	89,260
Surplus/(deficit) for the year from continuing operations		**-**	-
Other Comprehensive Income		**-**	-
Total Comprehensive Income for the year		**-**	-

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

Statement of Financial Position as at 30 June 2015

	Note	**30.6.2015 $'000**	30.6.2014 $'000
Current assets			
Cash and cash equivalents	4.1	-	1,176
Trade and other receivables	5.1	-	11,075
Total current assets		-	12,251
Total assets		-	12,251
Current liabilities			
Trade and other payables	6.1	-	12,251
Total current liabilities		-	12,251
Total liabilities		-	12,251
Net Assets		-	-
Equity			
Retained earnings		-	-
Total equity		-	-

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 2015

	Note	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2014		-	-	-
Surplus/(deficit) for the year		-	-	-
Other Comprehensive Income		-	-	-
Decrease in net assets from equity transfers (contribution by owners)	10	-	-	-
Balance as at 30 June 2015		-	-	-
Balance as at 1 July 2013		-	-	-
Surplus/(deficit) for the year		-	-	-
Other Comprehensive Income		-	-	-
Balance as at 30 June 2014		-	-	-

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 2015

	Note	**2014-15 $'000**	2013-14 $'000
Cash flows from operating activities			
Cash received			
Other receipts from customers and others		**82,457**	87,518
Interest received		**55**	64
Total cash received		**82,512**	87,582
Cash used			
Payments to suppliers and others		**(82,560)**	(86,448)
Total cash used		**(82,560)**	(86,448)
Net cash from/(used in) operating activities	4.2	**(48)**	1,134
Net cash from/(used by) investing activities		**-**	-
Net cash from/(used in) financing activities		**-**	-
Net (decrease)/increase in cash and cash equivalents		**(48)**	1,134
Cash and cash equivalents at beginning of year		**1,176**	42
Cash transferred out to Sydney Trains		**(1,128)**	-
Cash and cash equivalents at end of year	4.1	**-**	1,176

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

Notes to the Financial Statements for the year ended 30 June 2015

Note 1 Reporting entity and financial statements

(a) Reporting entity

Transport Cleaning Services (TCS) was a public subsidiary corporation constituted on 28 September 2012 under the *Transport Administration Act 1988.* It was domiciled in Australia and its principal office was Level 7 477 Pitt Street Sydney NSW 2000. TCS was a not for profit entity as profit was not its principal objective.

TCS was responsible for the delivery of cleaning services to Sydney Trains and NSW Trains and the improved presentation of railway stations, rolling stock and rail yard facilities. TCS commenced operations on 2 February 2013.

TCS was a controlled entity of Sydney Trains from 1 August 2014 as a result of the Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2014. Prior to 1 August 2014, TCS was a fully owned public subsidiary corporation of Rail Corporation New South Wales (RailCorp). Both Sydney Trains and RailCorp are consolidated as part of the NSW Total State Sector accounts.

On 1 July 2015, TCS was dissolved under the Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2015 and ceased to become a controlled entity of Sydney Trains. The assets and liabilities of TCS were transferred to Sydney Trains via vesting orders at 30 June 2015. As a result, TCS has no assets and liabilities at 30 June 2015.

(b) Authorisation of the Financial Statements

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

(c) Statement of compliance

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

Note 2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

The Financial Statements are general purpose Financial Statements prepared in accordance with Australian Accounting Standards, which includes Australian Accounting Interpretations, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations.

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

The Financial Statements have not been prepared on a going concern basis as TCS was dissolved on 1 July 2015. TCS was a not-for-profit entity for accounting purposes.

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

2.1.1 Change in accounting policy

There have been no changes to accounting policies in 2014-15.

2.2 Adoption of new and revised Accounting Standards

TCS adopted all the relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) effective from 1 July 2014. The adoption of these new and revised Standards and Interpretations did not result in any significant changes to TCS.

TCS did not early adopt any new Accounting Standards and Interpretations that have been issued but are not yet effective in accordance with NSW Treasury mandates.

Notes to the Financial Statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies (continued)

2.2 Adoption of new and revised Accounting Standards (continued)

The following new Accounting Standards and Interpretations were not adopted as they were not effective as at 30 June 2015. The standards are effective for annual reporting periods commencing on or after 1 January 2015.

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 9	Financial Instruments	Dec 2014	1 Jan 2018
AASB 15	Revenue from Contracts with Customers	Dec 2014	1 Jan 2017
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 16, 19, 107 & 127]	Sep 2012	1 Jan 2018
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part B Materiality-1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Dec 2013	1 Jan 2014/ 1 Jan 2015
AASB 2014-1	Amendments to Australian Accounting Standards	Jun 2014	1 Jan 2015/ 1 Jan 2016
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	Dec 2014	1 Jan 2017
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	Dec 2014	1 Jan 2018
AASB 2014-8	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)–Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB9 (2009 & 2010)]	Dec 2014	1 Jan 2015
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Jan 2015	1 Jan 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]	Jan 2015	1 Jan 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	Jan 2015	1 Jul 2015
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	Mar 2015	1 Jul 2016

Note 2 Summary of Significant Accounting Policies (continued)

2.3 Financial instruments

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability (or equity instrument) of another entity. They include cash and cash equivalents, receivables and payables.

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

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

2.4 Taxes

(i) Income tax equivalents

TCS 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.

Notes to the Financial Statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies (continued)

2.5 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:

Fees from cleaning services

Fees from cleaning services are recognised by reference to the stage of completion of the transaction, provided that the transaction's outcome, stage of completion and the past and prospective costs are all reliably measurable and it is probable that the economic benefits will flow to TCS. Otherwise such revenue is only recognised to the extent of the associated recognised recoverable expenses.

Interest revenue

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

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 short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Refer Note 4.1

2.7 Trade and other receivables

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

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

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for impairment and the resulting loss is recognised in the Statement of Comprehensive Income. Receivables are monitored during the year and bad debts are written off against the allowance when those are determined to be irrecoverable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that trade receivables are impaired. Refer Note 5.1

Note 2 Summary of Significant Accounting Policies (continued)

2.8 Impairment of financial assets

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

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

2.9 Trade and other payables

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

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

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

Trade payables are unsecured and, unless otherwise agreed with the creditor, are due for settlement by the end of the month following the month in which the invoice is received. Refer Note 6.1

2.10 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 period.

Notes to the Financial Statements for the year ended 30 June 2015

Note 3 Expenses

3.1 Operating expenses

	2014-15 $'000	2013-14 $'000
Cost of personnel assigned from RailCorp**	**-**	55,344
Subcontractors	**1,966**	22,778
Materials	**68**	1,551
Plant and equipment hire	**2**	36
Charges from Sydney Trains & NSW Trains	**69,455**	-
Administrative expenses	**7,380**	8,044
Audit fees*	**22**	41
Impairment trade receivables	**(1,096)**	1,096
Other	**-**	370
Total operating expenses	**77,797**	89,260

* The audit fee in the prior year includes $21,000 for 2013-14 and $20,000 for 2012-13.

** In 2014-15, the costs ceased as staff are no longer assigned from RailCorp.

Note 4 Cash and cash equivalents

4.1 Cash and cash equivalents

	2014-15 $'000	2013-14 $'000
Cash at bank	**-**	1,176
Total cash and cash equivalents	**-**	1,176

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

	2014-15 $'000	2013-14 $'000
Surplus/(deficit) for the year	**-**	-
Impaired trade receivables expense/reversal	**(1,096)**	1,096
Net movements in assets and liabilities applicable to operating activities:		
(Increase)/decrease in trade and other receivables	**4,715**	(1,678)
Increase/(decrease) in trade and other payables and provisions	**(3,667)**	1,716
Net cash from operating activities	**(48)**	1,134

4.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.15 Credit Facilities $'000	**30.6.15 Unused $'000**	30.6.14 Credit Facilities $'000	30.6.14 Unused $'000
Transaction negotiation authority	**6,000**	**6,000**	6,000	6,000
Purchasing card facility	**-**	**-**	1,000	1,000
Total credit standby arrangements and loan facilities	**6,000**	**6,000**	7,000	7,000

Notes to the Financial Statements for the year ended 30 June 2015

Note 5 Trade and other receivables

5.1 Analysis of trade and other receivables

	Note	**30.6.2015 $'000**	30.6.2014 $'000
Current trade and other receivables			
Trade receivables		-	1,216
Other receivables		-	11,054
Less: allowance for impairment	5.2	-	(1,195)
Total trade and other receivables		-	11,075

Movements in the allowance for impairment were as follows:

	30.6.2015 $'000	30.6.2014 $'000
Balance at beginning of year	**1,195**	-
Allowance/(reversal) recognised in Statement of Comprehensive Income	**(1,096)**	1,096
GST movement	**(99)**	99
Balance at end of year	-	1,195

5.2 Impaired trade and other receivables

The ageing of the impaired trade and other receivables is as follows:

	30.6.2015 $'000	30.6.2014 $'000
1 to 3 months	-	590
3 to 6 months	-	200
over 6 months	-	405
Balance at end of year	-	1,195

5.3 Past due but not impaired receivables

The ageing analysis of trade receivables that are past due but not impaired is as follows:

	30.6.2015 $'000	30.6.2014 $'000
1 to 3 months	-	131
3 to 6 months	-	-
Over 6 months	-	-
Balance at end of year	-	131

5.4 Nature and extent of risk arising from receivables

Exposure to credit risk in relation to trade and other receivables is provided in Note 9.

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

Note 6 Trade and other payables

6.1 Current trade and other payables

	30.6.2015 $'000	30.6.2014 $'000
Trade payables	-	255
Other payables and accruals	-	11,996
Total current trade and other payables	-	12,251

6.2 Fair value

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

Note 7 Contingent liabilities and contingent assets

No contingent liability and contingent assets existed as at 30 June 2015.

Note 8 Related parties

Sydney Trains controls TCS in accordance with Australian Accounting Standards.

Transactions and balances in the Financial Statements relate mainly to the labour costs from the rail entities, Sydney Trains and NSW Trains in the current year. TCS provides cleaning services to the rail entities and recovers the costs incurred as fees from cleaning services.

From 1 July 2014, TCS recovered the cleaning costs from Sydney Trains and NSW Trains.

Note 9 Financial instruments

The operational activities of TCS exposed it to a variety of financial risks. TCS's main risks arising from financial instruments are outlined below together with its objectives, policies and processes for measuring and managing risk.

The former Executive Director had overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of the risks. Risk management is carried out under the approved policies, best practice internal controls and reporting systems of TCS's parent entity.

TCS holds the following financial instruments:

	30.06.15 $'000	30.06.14 $'000
Financial assets		
Cash and cash equivalents	-	1,176
Trade and other receivables	-	10,174
Total financial assets	-	11,350
Financial liabilities		
Trade and other payables	-	(11,840)
Total financial liabilities	-	(11,840)

1. Trade and other receivables exclude statutory receivables and prepayments i.e. not within the scope of AASB 7.
2. Trade and other payables exclude statutory payables and unearned income i.e. not within the scope of AASB 7.

Note 9 Financial instruments (continued)

Credit risk

Credit risk arises when there is the possibility of TCS's debtors defaulting on their contractual obligations, resulting in financial loss to TCS. Credit risk arises from the financial assets of TCS including cash and trade receivables.

Cash
Cash comprises of cash at bank held with Westpac Banking Corporation. TCS did not hold cash at 30 June 2015. The balance at 30 June 2014 was earning an average interest rate of 3.35%.

Trade receivables
Credit risk arises from the financial assets of TCS i.e. receivables. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for Impairment). No collateral is held by TCS nor has it granted any financial guarantees.

Liquidity risk

Liquidity risk is the risk that TCS will be unable to meet its payment obligations when they fall due. TCS manages the risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Current investment powers allow TCS to manage liquidity through bank facilities.

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 statement is received.

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

The following table reflects the maturity band for all contractual obligations 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 2015					
Financial assets					
Cash & cash equivalents	-	-	-	-	-
Trade and other receivables	-	-	-	-	-
Financial liabilities					
Trade and other payables	-	-	-	-	-
Net maturity - asset/(liablities)	-	-	-	-	-
30 June 2014					
Financial assets					
Cash & cash equivalents	1,176	1,176	1,176	-	-
Trade and other receivables	10,174	10,174	10,174	-	-
Financial liabilities					
Trade and other payables	11,840	11,840	11,840	-	-
Net maturity - asset/(liablities)	(490)	(490)	(490)	-	-

Notes to the Financial Statements for the year ended 30 June 2015

Note 9 Financial instruments (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. TCS's exposure to market risk is considered to be minimal and it has no exposure to foreign currency risk and does not enter into commodity contracts.

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

Index	**Change in yield**	**Impact on surplus 2015 $**	Impact on surplus 2014 $	**Impact on Other Comprehensive Income 2015 $**	Impact on Other Comprehensive Income 2014 $
Cash and cash	**-1%**	-	(11,760)	-	-
equivalents	**1%**	-	11,760	-	-

Fair value Measurements

TCS does not hold financial assets and liabilities at fair value after initial recognition. The financial assets and liabilities are generally recognised at cost.

The amortised cost of financial instruments recognised in the Statement of Financial Position in the prior year approximates fair value because of the short term nature of the financial instruments. The fair values of most of the contractual financial assets and liabilities are the same as the carrying amount.

Note 10 Decrease in net assets from equity transfers

The net transfers noted below are considered to be a contribution by owner in accordance with TPP09-3 *Accounting Policy: Contribution by owners made to wholly-owned public sector entities* and are treated as an adjustment to equity.

The following assets and liabilities were transferred to Sydney Trains on 30 June 2015 due to the dissolution of TCS on 1 July 2015.

	30.6.2015 $'000
Assets transferred to Sydney Trains	
Cash	**(1,128)**
Trade and other receivables	**(7,456)**
Total assets	**(8,584)**
Liabilities transferred to Sydney Trains	
Trade and other payables	**8,584**
Total liabilities	**8,584**
Net assets transferred	**-**
Contributed equity	**-**

Note 11 Events occurring after reporting date

The *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2015 (NSW)* resulted in the dissolution of TCS on 1 July 2015.

(End of audited financial statements)

INDEPENDENT AUDITOR'S REPORT

TRANSPORT CLEANING SERVICES

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Transport Cleaning Services (TCS), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, 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.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of TCS as at 30 June 2015, and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Emphasis of Matter

Without qualifying my opinion, I draw attention to Notes 1(a) 'Reporting Entity', 2.1 'Basis of Preparation' and 11 'Events Occurring after Reporting Date' which indicate the financial statements were not prepared on a going concern basis as TCS was dissolved on 1 July 2015. The financial statements have been prepared on a liquidation basis.

The Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does not provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

A T Whitfield PSM
Acting Auditor-General

6 October 2015
SYDNEY

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