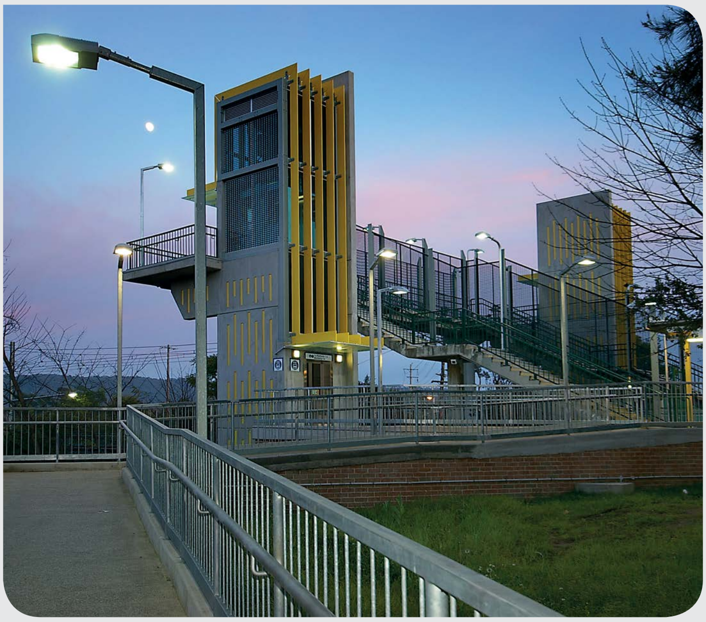
RailCorp

2014-15 Annual Report

Volume 2



NSW GOVERNMENT | Transport RailCorp

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 RailCorp 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
Acting Chief Executive

17 September 2015

(Start of audited financial statements)

Statement of Comprehensive Income for the year ended 30 June 2015

		Consolidated		Parent	
	Note	**2014-15 $'000**	2013-14 $'000	**2014-15 $'000**	2013-14 $'000
Income					
Income from operating activities	3.1	**194,346**	379,503	**188,855**	345,149
Interest		**3,234**	1,187	**3,227**	1,115
Total income		**197,580**	380,690	**192,082**	346,264
Expenses					
Operating expenses					
- Employee benefits expense and other payroll costs	4.1	**8,453**	281,400	**8,450**	280,439
- Other operating expenses	4.3	**62,975**	118,990	**57,416**	85,594
Depreciation and amortisation	7.2, 8.2	**901,263**	815,639	**901,263**	815,624
Derecognition and disposal of assets	7.5	**203,109**	59,743	**203,109**	59,743
Finance costs	4.5	**33,459**	20,474	**33,459**	20,474
Total expenses		**1,209,259**	1,296,246	**1,203,697**	1,261,874
Deficit from operations before Government contributions		**(1,011,679)**	(915,556)	**(1,011,615)**	(915,610)
Government subsidies	3.3	**46,458**	100,705	**46,458**	100,705
Other Government operating subsidies		**-**	3	**-**	3
Deficit from operations before capital contributions		**(965,221)**	(814,848)	**(965,157)**	(814,902)
Contributions for capital expenditure	3.2	**2,195,960**	2,283,140	**2,195,960**	2,283,140
Surplus for the year from continuing operations		**1,230,739**	1,468,292	**1,230,803**	1,468,238
Other Comprehensive Income					
Items that may be reclassified to surplus/deficit					
Net gain/(loss) in forward foreign exchange		**14**	(14)	**14**	(14)
Items that will not be reclassified to surplus/deficit					
Revaluation of property, plant and equipment		**1,054,778**	39,876	**1,054,778**	39,876
Superannuation actuarial gains/(losses) on defined benefit schemes		**(8,070)**	2,853	**(8,070)**	2,853
Other Comprehensive Income for the year		**1,046,722**	42,715	**1,046,722**	42,715
Total Comprehensive Income for the year		**2,277,461**	1,511,007	**2,277,525**	1,510,953

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

Statement of Financial Position as at 30 June 2015

		Consolidated		Parent	
		30.6.2015	30.6.2014	**30.6.2015**	30.6.2014
	Note	**$'000**	$'000	**$'000**	$'000
Current assets					
Cash and cash equivalents	5.1	**103,046**	178,983	**103,046**	177,458
Trade and other receivables	6.1	**23,426**	241,471	**23,426**	235,816
Security deposits		**-**	45	**-**	45
Non-current assets classified as held for sale		**700**	11,834	**700**	11,834
Total current assets		**127,172**	432,333	**127,172**	425,153
Non-current assets					
Trade and other receivables	6.1	**33,293**	34,174	**33,293**	34,174
Property, plant and equipment	7.1	**29,124,901**	26,821,933	**29,124,901**	26,821,933
Intangible assets	8	**34,023**	37,687	**34,023**	37,687
Other	9	**56,504**	50,706	**56,504**	50,706
Total non-current assets		**29,248,721**	26,944,500	**29,248,721**	26,944,500
Total assets		**29,375,893**	27,376,833	**29,375,893**	27,369,653
Current liabilities					
Trade & other payables	10	**121,740**	150,029	**121,740**	143,080
Borrowings	11	**470,510**	651,000	**470,510**	651,000
Payable to rail entities	18	**609,835**	-	**609,835**	-
Provisions	12	**50,522**	142,864	**50,522**	142,752
Derivative financial instruments	16.1	**-**	14	**-**	14
Total current liabilities		**1,252,607**	943,907	**1,252,607**	936,846
Non-current liabilities					
Borrowings	11	**953,977**	232,499	**953,977**	232,499
Provisions	12	**357,685**	420,352	**357,685**	420,342
Total non-current liabilities		**1,311,662**	652,851	**1,311,662**	652,841
Total liabilities		**2,564,269**	1,596,758	**2,564,269**	1,589,687
Net Assets		**26,811,624**	25,780,075	**26,811,624**	25,779,966
Equity					
Contributed equity	13.1	**13,182,219**	14,428,086	**13,182,219**	14,428,086
Reserves		**8,950,066**	7,989,366	**8,950,066**	7,989,366
Retained earnings		**4,679,339**	3,362,623	**4,679,339**	3,362,514
Total equity		**26,811,624**	25,780,075	**26,811,624**	25,779,966

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		**14,428,086**	**3,362,623**	**7,989,380**	**(14)**	**25,780,075**
Surplus for the year		**-**	**1,230,739**	**-**	**-**	**1,230,739**
Reserves transferred to/(from) retained earnings		**-**	**94,092**	**(94,092)**	**-**	**-**
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		**-**	**-**	**-**	**14**	**14**
Increase/(decrease) in asset revaluation reserve		**-**	**-**	**1,054,778**	**-**	**1,054,778**
Superannuation actuarial gains/(losses) on defined benefit schemes		**-**	**(8,070)**	**-**	**-**	**(8,070)**
Total Other Comprehensive Income for the year		**-**	**(8,070)**	**1,054,778**	**14**	**1,046,722**
Other transfers		**-**	**(45)**	**-**	**-**	**(45)**
Increase/(decrease) in net assets from equity transfers (contribution by owners)	13.2	**(1,245,867)**	**-**	**-**	**-**	**(1,245,867)**
Balance as at 30 June 2015		**13,182,219**	**4,679,339**	**8,950,066**	**-**	**26,811,624**
Balance at 1 July 2013		14,653,056	1,778,775	8,062,207	(2,678)	24,491,360
Surplus for the year (Restated*)		-	1,468,292	-	-	1,468,292
Reserves transferred to/(from) retained earnings		-	112,703	(112,703)	-	-
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		-	-	-	(14)	(14)
Net gain/(loss) in commodity swaps		-	-	-	-	-
Increase/(decrease) in asset revaluation reserve		-	-	39,876	-	39,876
Superannuation actuarial gains/(losses) on defined benefit schemes		-	2,853	-	-	2,853
Total Other Comprehensive Income for the year		-	2,853	39,876	(14)	42,715
Increase/(decrease) in net assets from equity transfers (contribution by owners)	13.2	(224,970)	-	-	2,678	(222,292)
Balance as at 30 June 2014		14,428,086	3,362,623	7,989,380	(14)	25,780,075

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

Statement of Changes in Equity for the year ended 30 June 2015

Parent	Note	Contributed equity $'000	Retained earnings $'000	Asset revaluation $'000	Other reserves $'000	Total $'000
Balance at 1 July 2014		**14,428,086**	**3,362,514**	**7,989,380**	**(14)**	**25,779,966**
Surplus for the year		**-**	**1,230,803**	**-**	**-**	**1,230,803**
Reserves transferred to/(from) retained earnings		**-**	**94,092**	**(94,092)**	**-**	**-**
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		**-**	**-**	**-**	**14**	**14**
Increase/(decrease) in asset revaluation reserve		**-**	**-**	**1,054,778**	**-**	**1,054,778**
Superannuation actuarial gains/(losses) on defined benefit schemes		**-**	**(8,070)**	**-**	**-**	**(8,070)**
Total Other Comprehensive Income for the year		**-**	**(8,070)**	**1,054,778**	**14**	**1,046,722**
Increase/(decrease) in net assets from equity transfers (contribution by owners)	13.2	**(1,245,867)**	**-**	**-**	**-**	**(1,245,867)**
Balance as at 30 June 2015		**13,182,219**	**4,679,339**	**8,950,066**	**-**	**26,811,624**
Balance at 1 July 2013		14,653,056	1,778,720	8,062,207	(2,678)	24,491,305
Surplus for the year (Restated*)		-	1,468,238	-	-	1,468,238
Reserves transferred to/(from) retained earnings		-	112,703	(112,703)	-	-
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		-	-	-	(14)	(14)
Net gain/(loss) in commodity swaps		-	-	-	-	-
Increase/(decrease) in asset revaluation reserve		-	-	39,876	-	39,876
Superannuation actuarial gains/(losses) on defined benefit schemes		-	2,853	-	-	2,853
Total Other Comprehensive Income for the year		-	2,853	39,876	(14)	42,715
Increase/(decrease) in net assets from equity transfers (contribution by owners)	13.2	(224,970)	-	-	2,678	(222,292)
Balance as at 30 June 2014		14,428,086	3,362,514	7,989,380	(14)	25,779,966

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		Parent	
		2014-15	2013-14	**2014-15**	2013-14
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Cash received					
Other receipts from customers and others		**225,999**	353,554	**215,647**	321,142
Government subsidies and concessions		**46,458**	100,705	**46,458**	100,705
Other Government operating subsidies		**-**	3	**-**	3
Interest received		**3,234**	1,187	**3,227**	1,115
Total cash received		**275,691**	455,449	**265,332**	422,965
Cash used					
Payments to suppliers, employees and others		**(185,348)**	(383,096)	**(178,999)**	(351,839)
Payment to rail entities		**(196,075)**	-	**(196,075)**	-
Interest paid		**(26,172)**	(19,561)	**(26,172)**	(19,561)
Total cash used		**(407,595)**	(402,657)	**(401,246)**	(371,400)
Net cash from/(used in) operating activities	5.2	**(131,904)**	52,792	**(135,914)**	51,565
Cash flow from investing activities					
Cash received					
Capital grants		**310,806**	402,651	**310,806**	402,651
Property, plant and equipment and intangible assets disposals		**13,196**	3,375	**13,196**	3,375
Total cash received		**324,002**	406,026	**324,002**	406,026
Cash used					
Property, plant and equipment and intangible assets acquisitions		**(472,188)**	(516,650)	**(472,188)**	(516,650)
Advances to rail entities		**(334,812)**	(198,000)	**(334,812)**	(198,000)
Total cash used		**(807,000)**	(714,650)	**(807,000)**	(714,650)
Net cash from/(used by) investing activities		**(482,998)**	(308,624)	**(482,998)**	(308,624)
Cash flows from financing activities					
Cash received					
Proceeds from borrowings		**1,304,000**	1,045,200	**1,304,000**	1,045,200
Total cash received		**1,304,000**	1,045,200	**1,304,000**	1,045,200
Cash used					
Repayment of borrowings		**(759,500)**	(661,000)	**(759,500)**	(661,000)
Total cash used		**(759,500)**	(661,000)	**(759,500)**	(661,000)
Net cash from/(used in) financing activities		**544,500**	384,200	**544,500**	384,200
Net (decrease)/increase in cash and cash equivalents		**(70,402)**	128,368	**(74,412)**	127,141
Cash and cash equivalents at beginning of year		**178,983**	157,156	**177,458**	156,858
Cash transferred out from Transport Cleaning Services	13.2	**(5,535)**	-	**-**	-
Cash transferred out to Sydney Trains and NSW Trains	13.2	**-**	(106,541)	**-**	(106,541)
Cash and cash equivalents at end of year	5.1	**103,046**	178,983	**103,046**	177,458

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

Note 1 Reporting entity and Financial Statements

(a) Reporting entity

Rail Corporation New South Wales (RailCorp) is a Statutory Authority constituted under the *Transport Administration Act 1988* and is a scheduled entity under the *Public Finance and Audit Act 1983*. It is domiciled in Australia and its principal office is at 477 Pitt Street Sydney, NSW 2000.

From 1 July 2013, RailCorp's functions changed with Sydney Trains and NSW Trains commencing operations as rail operators. RailCorp continues to be the owner of the rail network, stations, majority of property and certain rolling stock and provides Sydney Trains and NSW Trains with access rights to the assets, at no charge, which they operate at their own risk in accordance with the Rail Services Contract with Transport for NSW (TfNSW). Sydney Trains is responsible for the maintenance of rail assets under the Sydney Trains Rail Services Contract.

RailCorp's other responsibilities include managing:

- non-operational real property assets
- land owner responsibility for real property assets including maintaining land information
- access to the rail network by third party rail operators
- lease of premises within railway stations and other locations
- the contractual arrangements with Airport Link Company

RailCorp 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 and NSW Trains while public subsidiary corporations of RailCorp are not controlled entities.

In 2013-14, RailCorp controlled Trainworks Ltd and Transport Cleaning Services (TCS). Trainworks Ltd is a company limited by guarantee and ceased trading on 30 June 2014. Trainworks Ltd was put into liquidation on 24 June 2015 at which time RailCorp ceased to control the entity. Trainworks Ltd will be deregistered in the next financial year. RailCorp also controlled TCS in the prior year and for the month of July 2014. TCS was constituted on 28 September 2012 under the *Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2012* as a fully owned public subsidiary corporation of RailCorp. RailCorp ceased to control TCS on 1 August 2014 at which time TCS became a controlled entity of Sydney Trains. RailCorp does not have any controlled entities at 30 June 2015 and accordingly the consolidated Statement of Financial Position is disclosed for comparative purposes and is the same as the parent entity.

RailCorp ceased to have employees from August 2014 as a result of Administrative Orders which transferred staff to Sydney Trains or NSW Trains.

(b) Principles of consolidation

The consolidated Financial Statements comprise the Financial Statements of RailCorp (the parent entity) and its controlled entities until the time control ceases, after the elimination of all inter entity transactions and balances.

RailCorp 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 RailCorp 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.

Inter entity refers to transactions between RailCorp and its controlled entities. Transport cluster in the Financial Statements refers to transactions between RailCorp and transport entities Sydney Trains, NSW Trains, TCS, TfNSW, Transport Service of NSW and Roads and Maritime Services.

(c) Authorisation of the Financial Statements

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

Note 1 Reporting entity and Financial Statements (continued)

(d) 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 consolidated 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. However, property, plant and equipment and derivative financial assets and liabilities are measured at fair value. Refer Notes 2.3(ii), 2.13(ii). Certain liabilities are calculated on a present value basis such as leave entitlements in the prior year and certain provisions.

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

RailCorp and its former controlled entities are not-for-profit entities for accounting purposes.

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

RailCorp reclassified comparative information relating to Note 3.1 Income from Operating Activities to reflect current RailCorp operations. RailCorp combined line items ‘Transport cluster labour cost recovery’ and ‘Transport cluster non labour cost recovery’ as ‘Transport cluster recoveries’ in the current year. RailCorp also reclassified service fees from ‘Other revenue’ to ‘Access and service fees’ to align with the current year presentation.

30 June 2014 Comparatives
Note 3.1 Income from operating activities (Extract)

	2013-14 $'000		**2013-14 Restated $'000**
Consolidated		**Consolidated**	
Transport cluster labour cost recovery	119,506	Transport cluster recoveries	245,685
Transport cluster non labour cost recovery	126,179		
Access fees	55,057	Access and service fees	82,227
Other revenue	44,817	Other income	17,647
Parent		**Parent**	
Transport cluster labour cost recovery	175,080	Transport cluster recoveries	213,570
Transport cluster non labour cost recovery	38,490		
Access fees	55,057	Access and service fees	82,227
Other revenue	42,578	Other income	15,408

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern

The Financial Statements have been prepared on a going concern basis which assumes that RailCorp and its former controlled entities are expected to be able to pay their debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up their operations. RailCorp's continued operation and ability to pay its debts are satisfied by a NSW government guarantee on borrowings, annual grants by the Government to support RailCorp's operations and equity to support capital acquisitions.

2.1.2 Change in accounting policy

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

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 RailCorp and its former controlled entities effective for the annual reporting period beginning on 1 July 2014. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to RailCorp and its controlled entities accounting policies.

RailCorp and its former controlled entities did not early adopt any new Accounting Standards and Interpretations that are not yet effective in accordance with NSW Treasury mandates.

The following new Accounting Standards and Interpretations 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

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised Accounting Standards (continued)

AASB / Amendment	Title	Issue Date	Application date of Standard
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.

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, borrowings and derivatives (forward foreign exchange contracts).

(i) Recognition

A financial asset or financial liability is recognised when RailCorp 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, 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.

Note 2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

(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. Borrowings are carried at amortised cost. Their fair value at year end is disclosed in note 11. Derivatives are carried at fair value.

(iii) Hedging

Derivative financial instruments are used to hedge against exposures to foreign currency risk on overseas purchase commitments.

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.

(iv) Hedge accounting

Cash flow hedge accounting is adopted for all hedging relationships involving forward foreign exchange 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) 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 RailCorp 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 16

(v) Offsetting financial assets and liabilities

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

2.4 Taxes

(i) Income tax equivalents

RailCorp and its controlled entities are exempt from the National Tax Equivalent Regime (NTER) and the Tax Equivalent Regime (TER) and are not required to pay income tax.

Note 2 Summary of significant accounting policies (continued)

2.4 Taxes (continued)

(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

RailCorp being a statutory authority representing the Crown means that it is exempt from land tax levied after 2009.

2.5 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) Operating leasing arrangements

Various real estate leases have also been granted (including air space and advertising rights), sometimes covering long periods (up to 99 years). To the extent the initial term of the land lease is greater than 50 years then these leases are treated as finance leases – refer Note 2.5 (iv).

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.

Refer Note 2.15.

Note 2 Summary of significant accounting policies (continued)

2.5 Leases (continued)

(ii) Finance leases

As lessee

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

Refer Note 2.8.

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 RailCorp will obtain ownership by the end of the lease term. Where there is reasonable certainty that RailCorp will obtain ownership of the asset after the lease term the asset is depreciated over its estimated useful life.

As lessor

RailCorp, as the lessor, classifies its long-term land leases (typically where the initial lease term exceeds 50 years), as finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the land. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the leases. The associated land is derecognised.

The lease receipt is recognised in two components, one as a reduction of the lease receivables and the other as finance income. The finance income is calculated relevant to the term of the lease.

Refer Note 6.

(iii) 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.

(iv) Accounting treatment for prepaid rentals

Prepaid rentals where the initial lease term exceeds 50 years are treated as sales in accordance with NSW Treasury policy, TPP 11-1, *Accounting Policy: Lessor Classification of Long Term Land Leases*.

Note 2 Summary of significant accounting policies (continued)

2.6 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.

2.7 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:

Transport cluster recoveries
Transport cluster recoveries are reimbursements from transport entities for costs incurred by RailCorp in providing services to the transport cluster. Revenue is recognised when the associated costs are incurred and recoverable.

Access and service fees
Access and service fees include the fees for rail services provided to third parties (excluding Sydney Trains and NSW Trains) and for granting operators access to the rail network. Revenue is recognised when the services are provided.

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.

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

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 RailCorp's sources of funding.

Note 2 Summary of significant accounting policies (continued)

2.7 Income (continued)

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. Interest revenue includes all earnings from NSW Treasury Corporation (TCorp) Hourglass cash facility and 11am Call Deposit.

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.

2.8 Borrowing costs

Borrowing costs are capitalised in respect of constructed property, plant and equipment that meet the criteria of qualifying assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

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.

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.

Note 2 Summary of significant accounting policies (continued)

2.11 Non-current assets held for sale

Non-current assets are classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. This condition is regarded as met when the sale is highly probable; the asset is available for immediate sale in its present condition and is expected to be completed within 1 year from the date of classification.

Non-current assets held for sale are recognised at the lower of carrying amount and fair value less cost to sell. Such assets are presented separately from other assets in the Statement of Financial Position and are not depreciated or amortised while they are classified as held for sale.

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 RailCorp 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 RailCorp, 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 price is not observable or estimable from market evidence, its replacement costs. 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. RailCorp has assessed the difference between fair value and depreciated historical cost to be immaterial

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 land and buildings which is revalued every 3 years to fair value having regard to its highest and best use in accordance with TPP 14-1 *Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value* (TPP 14-1). 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 TPP 14-1 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.

Bored and excavated tunnels, excavations for stations and site formations including cuttings and embankments entering service prior to 30 June 2000 are carried at nil value as their value can not be reliably measured, due predominantly to the lack of historical records relating to the earthworks carried out and the costs involved.

When revaluing non-current assets by reference to current prices 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
Stations and buildings	15-200
Station services and facilities	15-25
Track, including sleepers and ballast	15-100
Turnouts	15-50
Bridges and tunnels	100
Electrical overhead wiring and structures	15-100
Substations	10-50
Signalling equipment	20-50
Rolling stock	32-42
Plant and machinery	3-30
Heavy plant and machinery	30-60
Earthworks	20-200

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.

RailCorp reassessed the useful lives of certain signalling equipment on the Epping to Chatswood Rail Link to be decommissioned with the Sydney Metro Northwest implementation. RailCorp revised the useful life of the equipment from 33 years to 4 years at which time the assets will be derecognised. The impact is an increase in depreciation expense of $7.4m per annum over the next 4 years.

(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 7.

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 RailCorp, 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 1 and 20 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 8.

Note 2 Summary of significant accounting policies (continued)

2.15 Service concession arrangements

Airport Link Company (ALC) has a concession to build and operate 4 stations on the Airport Line until 2030. Under the concession arrangement, RailCorp (now via Sydney Trains) is to provide train services to the stations. RailCorp will take over the 4 stations in 2030.

This right to receive the 4 stations is accounted for as a premium on the ground lease of the station premises, which is a non-cancellable operating lease. The premium is recognised as rent revenue and a non-current asset (earned portion of right to receive Airport Line stations). It is measured as the estimated written-down replacement cost of the stations in 2030 and the value of the emerging asset is calculated by use of an annuity formula whereby the ultimate value of the right to receive the property is treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with a notional compound interest thereon. The discount rate used is the NSW Government bond rate applicable to the purchaser at the commencement of the concession period - in this case 7%. The present value of the written-down replacement cost of the stations in 2030 is allocated over the term of the lease on the basis of a formula which calculates the annual annuity sum.

Refer Note 9 for the cumulative value as at 30 June 2015.

In October 2005 RailCorp and the ALC entered into a Restated Stations Agreement (RSA) as part of the overall restructuring of the ALC operations and related debt. The revised agreement included amended terms in respect of various matters including revenue sharing, fee arrangements and RailCorp's various performance obligations. In March 2011 the RSA was varied to remove the station access fee for passengers using Mascot and Green Square stations with RailCorp instead paying ALC a shadow station access fee. The RSA was varied further in August 2014 as a result of the impact of the introduction of Opal ticketing.

2.16 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.

2.17 Borrowings

A borrowing is recognised when a present obligation arises under a debt instrument. It is classified as a current liability if settlement is due within twelve months after the reporting date. Otherwise it is classified as non-current. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A borrowing is initially measured at its fair value and subsequently measured at amortised cost, being its face value less unamortised discount or plus unamortised premium.

Discount or premium is amortised over the term of the borrowing on an effective interest rate basis and recognised as a loss or gain in the Statement of Comprehensive Income. Any difference between the carrying amount and the consideration paid on repayment or transfer of a borrowing is also recognised as a gain or loss.

Refer Note 11.

Note 2 Summary of significant accounting policies (continued)

2.18 Provisions

(i) Provisions generally

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement, e.g. employee benefits, workers' compensation claims, public liability claims, legal claims, Airport Line asset replacement, quarry site restoration, land and buildings remediation, restoration of leased premises and other charges.

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.

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. RailCorp 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.

Note 2 Summary of significant accounting policies (continued)

2.18 Provisions (continued)

(ii) Employee benefits (continued)

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 the results for the year.

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.

2.19 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 or Secretarial 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.

2.20 Fair value hierarchy

A number of the RailCorp 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, RailCorp 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).

Refer Note 15 and Note 16.

Note 2 Summary of significant accounting policies (continued)

2.21 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 7.3, Note 12 and Note 15.

2.22 Payable to rail entities

The payable to rail entities are derecognised when the obligation is discharged and is interest free.

Note 3 Income

3.1 Income from operating activities

	Consolidated		Parent	
	2014-15 $'000	2013-14 $'000	**2014-15 $'000**	2013-14 $'000
Transport cluster recoveries	**25,107**	245,685	**19,628**	213,570
Access and service fees	**113,007**	82,227	**113,007**	82,227
Rental income	**31,192**	32,376	**31,192**	32,376
Operating lease contingent rents	**1,942**	1,568	**1,942**	1,568
Other income	**23,098**	17,647	**23,086**	15,408
Total Income from operating activities	**194,346**	379,503	**188,855**	345,149

3.2 Contributions for capital expenditure

	Consolidated		Parent	
	2014-15 $'000	2013-14 $'000	**2014-15 $'000**	2013-14 $'000
NSW Government capital grant	**301,481**	401,858	**301,481**	401,858
NSW Government capital grant - non cash	**1,886,605**	1,881,282	**1,886,605**	1,881,282
Other Government agencies - cash	**7,874**	-	**7,874**	-
Total capital contributions	**2,195,960**	2,283,140	**2,195,960**	2,283,140

3.3 Government subsidies

Government subsidies were received for redundancy payments of $16.1m (2014: $100.7m) and superannuation payments of $30.4m (2014: Nil).

Note 4 Expenses

4.1 Employee benefits expense and other payroll costs

Employee benefits expenses include the following items:

		Consolidated		Parent	
	Note	**2014-15 $'000**	2013-14 $'000	**2014-15 $'000**	2013-14 $'000
Salaries and wages		**2,666**	170,743	**2,666**	170,062
Annual leave		**554**	9,903	**552**	9,919
Long service leave		**184**	2,152	**184**	2,152
Superannuation-defined benefit plan	4.2	**11,515**	16,905	**11,515**	16,905
Superannuation-defined contribution		**364**	9,159	**364**	9,107
Workers compensation		**(9,156)**	(9,482)	**(9,156)**	(9,488)
Payroll tax and fringe benefits		**1,772**	12,482	**1,772**	12,482
Redundancy		**107**	66,685	**107**	66,741
Other payroll costs		**447**	3,002	**446**	2,708
Total employee benefits expense		**8,453**	281,549	**8,450**	280,588
Less: Employee related expenses allocated to capital works		**-**	(149)	**-**	(149)
Total employee benefits expense and other payroll costs		**8,453**	281,400	**8,450**	280,439

4.2 Defined benefit superannuation plan expense/income

		Consolidated		Parent	
	Note	**2014-15 $'000**	2013-14 $'000	**2014-15 $'000**	2013-14 $'000
Current service cost		**1,321**	5,654	**1,321**	5,654
Net interest		**10,194**	11,251	**10,194**	11,251
Total defined benefit superannuation expense/(income)	12.2.14	**11,515**	16,905	**11,515**	16,905

Note 4 Expenses (continued)

4.3 Other operating expenses

	Consolidated		Parent	
	2014-15 $'000	2013-14 $'000	**2014-15 $'000**	2013-14 $'000
Subcontractors	**2,164**	30,288	**2,150**	7,515
Materials	**785**	2,041	**785**	490
Operating lease non-contingent rents (including rail access fees)	**1,057**	26,422	**1,056**	26,422
Plant and equipment hire	**317**	189	**317**	153
Bulk electricity	**-**	80	**-**	-
Security costs	**9**	156	**9**	144
Insurance costs	**5,061**	918	**5,061**	896
Telecommunication expenses	**-**	46	**-**	23
Computer expenses	**222**	4	**220**	-
Rail entity charges	**18,364**	19,915	**13,043**	12,101
Corporate & shared services costs from TfNSW	**1,826**	8,783	**1,826**	8,783
Advertising and marketing	**7**	299	**7**	96
Printing & stationery	**-**	636	**-**	602
Land & building restoration	**(4,071)**	(445)	**(4,071)**	(445)
Discounting of provisions	**3,022**	7,027	**3,022**	7,027
External Audit fees	**279**	571	**269**	525
Bad debts	**-**	408	**-**	408
Impairment of trade receivables	**(42)**	(910)	**(136)**	(2,006)
Contribution to Trainworks	**-**	-	**-**	1,120
Other*	**33,975**	22,562	**33,858**	21,740
Total operating expenses	**62,975**	118,990	**57,416**	85,594

*Other expenses include property service fees and Airport Line contractual obligations.

4.4 Maintenance expenses

From 1 July 2013, RailCorp no longer undertakes maintenance of rail assets. Sydney Trains is responsible for the maintenance of rail assets and charged RailCorp $261.5m (2014: $212.5m) major periodic maintenance that will be capitalised which is reflected in Note 7.

4.5 Finance costs

	Consolidated		Parent	
	2014-15 $'000	2013-14 $'000	**2014-15 $'000**	2013-14 $'000
Borrowing and interest charges	**34,717**	22,178	**34,717**	22,178
Less: amount capitalised	**(1,258)**	(1,704)	**(1,258)**	(1,704)
Total finance costs	**33,459**	20,474	**33,459**	20,474

The capitalised rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the outstanding borrowings. The rate is 3.57% (2013-14: 3.70%).

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

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	Consolidated		Parent	
	30.6.2015 $'000	30.6.2014 $'000	**30.6.2015 $'000**	30.6.2014 $'000
Cash at bank	**101,527**	177,019	**101,527**	175,494
Cash deposits with TCorp	**1,519**	1,964	**1,519**	1,964
Total cash and cash equivalents	**103,046**	178,983	**103,046**	177,458

5.2 Reconciliation of surplus/net loss for the year with net cash from operating activities

Surplus for the year	**1,230,739**	1,468,292	**1,230,803**	1,468,238
Cash capital grants	**(310,806)**	(402,651)	**(310,806)**	(402,651)
Non cash capital grants	**(1,886,605)**	(1,881,282)	**(1,886,605)**	(1,881,282)
Derecognition and write off of assets	**203,109**	59,743	**203,109**	59,743
Airport Line lease premium	**(5,798)**	(5,419)	**(5,798)**	(5,419)
Depreciation and amortisation	**901,263**	815,639	**901,263**	815,624
Impaired trade receivables expense	**(136)**	(1,598)	**(136)**	(1,598)
Amortisation of borrowings premium	**(3,512)**	(2,196)	**(3,512)**	(2,196)
Amortisation of borrowings discount	**-**	5	**-**	5
Discounting of provisions	**3,022**	7,027	**3,022**	7,027
Net movements in assets and liabilities applicable to operating activities:				
(Increase)/decrease in trade and other receivables	**18,301**	147,795	**14,313**	147,795
Increase/(decrease) in trade and other payables and provisions	**(281,481)**	(152,563)	**(281,567)**	(153,721)
Net cash from operating activities	**(131,904)**	52,792	**(135,914)**	51,565

5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.2015 Credit Facilities $'000	**30.6.2015 Unused $'000**	30.6.2014 Credit Facilities $'000	30.6.2014 Unused $'000
Consolidated				
Transaction negotiation authority	**70,000**	**70,000**	76,000	76,000
Purchasing card facility	**-**	**-**	26,097	25,043
Borrowing facility	**1,790,000**	**435,513**	1,000,000	161,501
Come and Go facility	**100,000**	**30,000**	80,000	35,000
Total	**1,960,000**	**535,513**	1,182,097	297,544
Parent				
Transaction negotiation authority	**70,000**	**70,000**	70,000	70,000
Purchasing card facility	**-**	**-**	25,097	25,043
Borrowing facility	**1,790,000**	**435,513**	1,000,000	161,501
Come and Go facility	**100,000**	**30,000**	80,000	35,000
Total	**1,960,000**	**535,513**	1,175,097	291,544

5.4 Non-cash investing activities

During 2014-15 TfNSW transferred assets to RailCorp by way of non-cash grants of $1,887m (2014: $1,881m). In addition, various assets were transferred by way of equity contribution to Sydney Trains and NSW Trains on 1 July 2013 and in the current year. Refer Notes 3.2 and 13.2.

Note 6 Trade and other receivables

6.1 Trade and other receivables

		Consolidated		Parent	
	Note	**30.6.2015 $'000**	30.6.2014 $'000	**30.6.2015 $'000**	30.6.2014 $'000
Current trade and other receivables					
Trade receivables		**9,117**	11,239	**9,117**	9,967
Transport cluster receivables		**3,309**	19,312	**3,309**	13,792
Advances to Sydney Trains and TCS	6.4	**-**	198,000	**-**	199,000
Other receivables		**10,995**	14,274	**10,995**	13,233
Less: allowance for impairment	6.2	**(332)**	(1,678)	**(332)**	(483)
		23,089	241,147	**23,089**	235,509
Prepayments		**98**	78	**98**	61
Finance lease - minimum payments	6.5	**239**	246	**239**	246
Total current trade and other receivables		**23,426**	241,471	**23,426**	235,816
Non-current receivables					
Finance lease - minimum payments	6.5	**32,732**	30,322	**32,732**	30,322
Other		**561**	3,852	**561**	3,852
Total non-current receivables		**33,293**	34,174	**33,293**	34,174
Total trade and other receivables		**56,719**	275,645	**56,719**	269,990

Movements in the allowance for impairment were as follows:

	Consolidated		Parent	
	30.6.2015 $'000	30.6.2014 $'000	**30.6.2015 $'000**	30.6.2014 $'000
Balance at beginning of year	**1,678**	2,772	**483**	2,772
Allowance recognised in Statement of Comprehensive Income	**(42)**	(910)	**(136)**	(2,006)
GST movement	**(8)**	(100)	**(15)**	(199)
Transfer to other entity	**(1,296)**	(84)	**-**	(84)
Balance at end of year	**332**	1,678	**332**	483

6.2 Impaired trade and other receivables

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

1 to 3 months	**44**	648	**44**	59
3 to 6 months	**36**	277	**36**	77
over 6 months	**252**	753	**252**	347
Balance at end of year	**332**	1,678	**332**	483

6.3 Past due but not impaired receivables

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

	Parent and Consolidated 30.6.2015 $'000	Parent and Consolidated 30.6.2014 $'000
1 to 3 months	**2,588**	5,173
3 to 6 months	**5**	352
Over 6 months	**176**	658
Balance at end of year	**2,769**	6,183

Note 6 Trade and other receivables (continued)

6.4 Nature and extent of risk arising from receivables

Information about RailCorp's exposure to credit risk in relation to trade and other receivables is provided in Note 16. 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. RailCorp does not have any advances at 30 June 2015 (2014: $199m).

6.5 Finance lease receivable

The gross investment and present values of receivables relating to future minimum lease payments under the finance lease agreements, for long term land lease with an initial term over 50 years are distributed as follows:

	Parent and Consolidated 30.6.2015 $'000	Parent and Consolidated 30.6.2014 $'000
Not later than 1 year	**1,992**	1,866
Later than 1 year and not later than 5 years	**7,841**	7,274
Later than 5 years	**97,502**	93,113
Total gross receivable	**107,335**	102,253
Less: unearned finance charges	**(74,364)**	(71,685)
Present value minimum lease receivable	**32,971**	30,568
Split:		
Current	**239**	246
Not-current	**32,732**	30,322
Total finance lease receivable	**32,971**	30,568

Note 7 Property, plant and equipment

7.1 Classes

	Consolidated		Parent	
	30.6.2015	30.6.2014	**30.6.2015**	30.6.2014
	$'000	$'000	**$'000**	$'000
Land				
Gross carrying amount	**4,295,411**	3,844,298	**4,295,411**	3,844,298
Buildings				
Gross carrying amount	**10,316,595**	8,192,337	**10,316,595**	8,192,337
Less accumulated depreciation	**(3,999,984)**	(3,031,359)	**(3,999,984)**	(3,031,359)
Total buildings	**6,316,611**	5,160,978	**6,316,611**	5,160,978
Rolling stock				
Gross carrying amount	**5,229,084**	5,209,231	**5,229,084**	5,209,231
Less accumulated depreciation	**(3,398,865)**	(3,254,025)	**(3,398,865)**	(3,254,025)
Total rolling stock	**1,830,219**	1,955,206	**1,830,219**	1,955,206
Plant and machinery				
Gross carrying amount	**538,272**	577,428	**538,272**	577,428
Less accumulated depreciation	**(348,232)**	(388,148)	**(348,232)**	(388,148)
Total plant and machinery	**190,040**	189,280	**190,040**	189,280
Trackwork and infrastructure				
Gross carrying amount	**21,113,577**	20,563,370	**21,113,577**	20,563,370
Less accumulated depreciation	**(9,407,520)**	(9,067,467)	**(9,407,520)**	(9,067,467)
Total trackwork and infrastructure	**11,706,057**	11,495,903	**11,706,057**	11,495,903
Capital work in progress				
Trackwork & infrastructure work in progress	**4,540,475**	4,027,749	**4,540,475**	4,027,749
Other work in progress	**246,088**	148,519	**246,088**	148,519
Total capital work in progress	**4,786,563**	4,176,268	**4,786,563**	4,176,268
Total property plant and equipment	**29,124,901**	26,821,933	**29,124,901**	26,821,933

Note 7 Property, plant and equipment (continued)

7.2 Asset class movement

Consolidated/Parent	Land $000	Buildings $000	Rolling stock $000	Plant and machinery $000	Trackwork and infrastructure $000	Capital works in progress $000	Total $000
Gross carrying amount							
Balance at 1 July 2014	**3,844,298**	**8,192,337**	**5,209,231**	**577,428**	**20,563,370**	**4,176,268**	**42,562,932**
Additions	**111,426**	**688,239**	**22,194**	**34,802**	**721,015**	**754,250**	**2,331,926**
Disposals/derecognition/ write-offs	**(3,703)**	**(32,752)**	**(2,341)**	**(73,398)**	**(188,980)**	**(154,976)**	**(456,150)**
Revaluations	**341,060**	**1,502,847**	**-**	**-**	**-**	**-**	**1,843,907**
Transfers from transport cluster	**-**	**-**	**-**	**3,538**	**-**	**-**	**3,538**
Transfers to transport cluster	**-**	**(5,377)**	**-**	**(2,259)**	**-**	**-**	**(7,636)**
Other movements	**3,030**	**(28,699)**	**-**	**(1,839)**	**18,172**	**11,021**	**1,685**
Classify (to)/from assets held for sale	**(700)**	**-**	**-**	**-**	**-**	**-**	**(700)**
Balance at 30 June 2015	**4,295,411**	**10,316,595**	**5,229,084**	**538,272**	**21,113,577**	**4,786,563**	**46,279,502**
Balance at 1 July 2013	3,853,661	8,361,647	8,323,989	670,104	19,322,835	3,335,488	43,867,724
Additions	461	78,339	24,983	1,660	1,278,766	892,373	2,276,582
Disposals/derecognition/ write-offs	(4,702)	(2,992)	(857,820)	(3,095)	(45,196)	(12,899)	(926,704)
Administrative restructures - transfers out	-	(242,417)	(2,081,443)	(91,530)	-	(38,694)	(2,454,084)
Revaluations	-	-	(197,854)	21,787	-	-	(176,067)
Transfers from TfNSW	-	-	-	-	-	-	-
Other movements	-	2,743	(924)	(13,302)	11,412	-	(71)
Classify (to)/from assets held for sale	(5,122)	(4,983)	(1,700)	(8,196)	(4,447)	-	(24,448)
Balance at 30 June 2014	3,844,298	8,192,337	5,209,231	577,428	20,563,370	4,176,268	42,562,932
Accumulated depreciation							
Balance at 1 July 2014	**-**	**(3,031,359)**	**(3,254,025)**	**(388,148)**	**(9,067,467)**	**-**	**(15,740,999)**
Depreciation for the year	**-**	**(204,237)**	**(146,964)**	**(32,066)**	**(517,552)**	**-**	**(900,819)**
Disposals/derecognition/ write-offs	**-**	**20,243**	**2,124**	**72,320**	**180,856**	**-**	**275,543**
Revaluations	**-**	**(789,129)**	**-**	**-**	**-**	**-**	**(789,129)**
Transfers from transport cluster	**-**	**-**	**-**	**(2,561)**	**-**	**-**	**(2,561)**
Transfers to transport cluster	**-**	**2,175**	**-**	**1,635**	**-**	**-**	**3,810**
Other movements	**-**	**2,323**	**-**	**588**	**(3,357)**	**-**	**(446)**
Classify (to)/from assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2015	**-**	**(3,999,984)**	**(3,398,865)**	**(348,232)**	**(9,407,520)**	**-**	**(17,154,601)**
Balance at 1 July 2013	-	(2,884,455)	(4,508,125)	(384,951)	(8,584,470)	-	(16,362,001)
Depreciation for the year	-	(163,358)	(138,371)	(34,504)	(477,578)	-	(813,811)
Disposals/derecognition/ write-offs	-	1,395	857,820	2,758	1,593	-	863,566
Administrative restructures - transfers out	-	14,715	278,903	48,569	-	-	342,187
Revaluations	-	-	253,940	(37,997)	-	-	215,943
Other movements	-	(2,440)	162	12,524	(10,244)	-	2
Classify (to)/from assets held for sale	-	2,784	1,646	5,453	3,232	-	13,115
Balance at 30 June 2014	-	(3,031,359)	(3,254,025)	(388,148)	(9,067,467)	-	(15,740,999)
Net carrying amounts							
At 1 July 2013	3,853,661	5,477,192	3,815,864	285,153	10,738,365	3,335,488	27,505,723
At 30 June 2014	**3,844,298**	**5,160,978**	**1,955,206**	**189,280**	**11,495,903**	**4,176,268**	**26,821,933**
At 1 July 2014	3,844,298	5,160,978	1,955,206	189,280	11,495,903	4,176,268	26,821,933
At 30 June 2015	**4,295,411**	**6,316,611**	**1,830,219**	**190,040**	**11,706,057**	**4,786,563**	**29,124,901**

Note 7 Property, plant and equipment (continued)

7.3 Valuation of property, plant and equipment

To confirm that the carrying value of property, plant and equipment 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 infrastructure via indexation. Land and buildings were revalued in the current year.

(a) Land

Land, other than land identified as available for sale, was valued by the Land and Property Information on the basis of existing use as at 1 September 2014 and confirmed at 30 June 2015. Each area was valued taking into account adjacent land use values, discounted to reflect limited existing use of the subject land, and its physical attributes. An increase in the value of this class of asset, totalling $341m was credited to the asset revaluation reserve in 2014-15. Land identified as available for sale has been valued at estimated selling prices less costs to sell. Land and Property Information (LPI) Valuation Services applies market movements using available market evidence to establish the fair value for land each year. Market evidence considered in the current year includes housing prices, consumer confidence, economic conditions and the geographical location of the asset.

(b) Buildings

Buildings were valued by an independent valuer (Advisian) as at 1 November 2014 and reconfirmed at 30 June 2015 on the following basis:

- Railway stations/commercial/industrial type buildings and leased properties are portions of railway property generally adjacent to the corridor, the majority of which is used for railway purposes, and which land is not intended to be sold. Such properties were classed as specialised buildings and were valued at the replacement cost of the assets' remaining economic benefits based on a modern equivalent asset. Indirect costs, professional and builders' fees were added to direct costs. An additional allowance is made for heritage buildings to replicate the heritage appearance.
- Residences are severable, stand alone, properties that may be sold and, therefore, were classed as non specialised buildings and were valued at market value.

An increase in the value of this class of asset, totalling $714m was credited to the asset revaluation reserve in 2014-15.

Independent valuers reviewed the appropriateness of replacement costs derived at the time of the last revaluation to ensure the carrying value materially reflects fair value at 30 June 2015.

(c) Trackwork and infrastructure

Trackwork and infrastructure was valued by an independent valuer (Evans & Peck Pty Ltd) as at 31 March 2011 at depreciated replacement cost, i.e. the current replacement cost of each asset less accumulated depreciation (which depreciation is calculated by reference to the remaining life of each asset as determined by RailCorp engineers). Valuation inputs to arrive at replacement cost are categorised in level 3 of the fair value hierarchy and are predominantly an assessment of the construction costs such as materials, labour and overhead. Replacement cost is measured by reference to the lowest cost of replacing the economic benefits with a technologically modern equivalent optimised asset, having regard to differences in the quality and quantity of outputs and operating costs, and adjusting for over design, over capacity and redundant components. An increase in the value of this class of asset, totalling $3,257m was credited to the asset revaluation reserve in 2010-11.

RailCorp applied indexation to infrastructure assets in the current year based on selected ABS indexes applicable to the construction industry. The indexes are weighted to consider the costs of constructing the asset.

(d) Rolling stock

Rolling stock was valued by an independent valuer (Interfleet Technologies Pty Limited) as at 31 December 2013 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 and TfNSW engineers confirmed technical data and the remaining life of rolling stock.

Note 7 Property, plant and equipment (continued)

7.3 Valuation of property, plant and equipment (continued)

(d) Rolling stock (continued)

An increase in the value of this class of asset, totalling $56.1m was credited to the asset revaluation reserve in 2013/14 and also includes the revaluation of fleet wagons. Independent valuers reviewed the appropriateness of replacement costs derived at the time of the last revaluation and confirmed the carrying value materially reflects fair value at 30 June 2015.

(e) Major Plant and Equipment

Major plant and equipment, a sub class of plant and machinery was valued by an independent valuer (Rod Hyman Asset Services Pty Limited) as at 31 December 2013 by obtaining current replacement cost from major suppliers and determining economic life and remaining life to obtain a depreciated replacement cost. A decrease in the value of this sub-class of asset, totalling $16.2m was debited to the asset revaluation reserve in 2013-14. Independent valuers reviewed the appropriateness of replacement costs derived at the time of the last revaluation and confirmed the carrying value materially reflects fair value at 30 June 2015.

7.4 Heritage rolling stock

Heritage rolling stock, which includes locomotives and carriages, is held for its historical significance. It is recorded at nominal value.

7.5 Derecognition and disposal of assets

Of the $203.1m derecognised assets and disposals, $120.7m relates to NSW government non cash grants that RailCorp derives no future economic benefits and is derecognised in accordance with Australian Accounting Standards.

Note 8 Intangible assets

8.1 Classes

	Consolidated		Parent	
	30.6.2015 $'000	30.6.2014 $'000	**30.6.2015 $'000**	30.6.2014 $'000
Software / Licences				
Gross carrying amount	**9,042**	34,234	**9,042**	34,234
Less accumulated amortisation	**(8,297)**	(7,890)	**(8,297)**	(7,890)
Net carrying amount of software / licences	**745**	26,344	**745**	26,344
Software / licences works in progress	**33,278**	11,343	**33,278**	11,343
Total intangible assets	**34,023**	37,687	**34,023**	37,687

Note 8 Intangible assets (continued)

8.2 Movements during the year

Consolidated	Software/ licenses $'000	Software/licenses work in progress $'000	Total $'000
2015			
Carrying amount at start of year	**26,344**	**11,343**	**37,687**
Additions	**-**	**22,638**	**22,638**
Transfers from transport cluster	**745**	**-**	**745**
Transfers to transport cluster	**(1,462)**	**-**	**(1,462)**
Asset transfers - Sydney Trains	**(23,865)**	**-**	**(23,865)**
Amortisation expense	**(444)**	**-**	**(444)**
Other movements	**(573)**	**(703)**	**(1,276)**
Carrying amount at end of year	**745**	**33,278**	**34,023**
2014			
Carrying amount at start of year	185,910	43,972	229,882
Additions	-	38,978	38,978
Disposals/write-offs	-	(10)	(10)
Amortisation expense	(1,828)	-	(1,828)
Administrative restructures - transfers out	(185,168)	(44,167)	(229,335)
Other movements	27,430	(27,430)	-
Carrying amount at end of year	26,344	11,343	37,687

Note 9 Other assets

	Note	**Parent and Consolidated 30.6.2015 $'000**	Parent and Consolidated 30.6.2014 $'000
Earned portion of right to receive Airport Line stations	2.15	**56,504**	50,706
Total other assets		**56,504**	50,706

Note 10 Trade and other payables

10.1 Current trade and other payables

	Consolidated		**Parent**	
	30.6.2015 $'000	30.6.2014 $'000	**30.6.2015 $'000**	30.6.2014 $'000
Trade payables	**1,120**	2,249	**1,120**	1,945
Transport cluster payables	**23,037**	38,352	**23,037**	37,656
Transport cluster capital works accruals	**74,461**	79,984	**74,461**	79,984
Accrued salaries and wages	**-**	2,729	**-**	2,729
Other payables and accruals	**21,201**	24,616	**21,201**	18,738
Deferred revenue	**1,921**	2,099	**1,921**	2,028
Total current trade and other payables	**121,740**	150,029	**121,740**	143,080

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 RailCorp's exposure to payables with a foreign exchange risk is provided in Note 16.

Note 11 Borrowings

	Parent and Consolidated 30.6.2015 $'000	Parent and Consolidated 30.6.2014 $'000
Current		
Borrowings	**470,510**	651,000
	470,510	651,000
Non-current		
Borrowings	**953,977**	232,499
	953,977	232,499
Total borrowings	**1,424,487**	883,499

RailCorp's borrowings are approved under the *Public Authorities (Financial Arrangements) Act 1987* and have an associated Government guarantee, refer Note 18.

Note 12 Provisions

12.1 Provisions

		Consolidated		Parent	
		30.6.2015	30.6.2014	**30.6.2015**	30.6.2014
	Note	**$'000**	$'000	**$'000**	$'000
Current provisions					
Annual leave (see note (a) below)		**-**	15,914	**-**	15,869
Long service leave (see note (a) below)	12.3	**-**	37,046	**-**	37,046
Pay in lieu of certain holidays worked (see note (a) below)		**-**	2,040	**-**	2,040
Redundancy		**-**	28,196	**-**	28,129
Total current employee benefits		**-**	83,196	**-**	83,084
Workers' compensation	12.5	**8,423**	12,294	**8,423**	12,294
Public liability claims	12.6	**8,936**	4,670	**8,936**	4,670
Legal claims	12.7	**410**	837	**410**	837
Airport Line asset replacement	12.8	**1,855**	4,775	**1,855**	4,775
Land and building remediation	12.10	**30,898**	34,347	**30,898**	34,347
Restoration on leased premises		**-**	2,745	**-**	2,745
Total current provisions		**50,522**	142,864	**50,522**	142,752
Non-current provisions					
Superannuation	12.2	**277,523**	311,692	**277,523**	311,682
Long service leave (see note (a) below)	12.3	**-**	2,325	**-**	2,325
Total non-current employee benefits		**277,523**	314,017	**277,523**	314,007
Workers' compensation	12.5	**54,940**	66,897	**54,940**	66,897
Public liability claims	12.6	**-**	2,965	**-**	2,965
Airport Line asset replacement	12.8	**4,796**	5,664	**4,796**	5,664
Quarry restoration	12.9	**3,907**	3,811	**3,907**	3,811
Restoration on leased premises		**-**	855	**-**	855
Land and building remediation	12.10	**16,519**	26,143	**16,519**	26,143
Total non-current provisions		**357,685**	420,352	**357,685**	420,342
Total provisions					
Superannuation	12.2	**277,523**	311,692	**277,523**	311,682
Annual leave		**-**	15,914	**-**	15,869
Long service leave	12.3	**-**	39,371	**-**	39,371
Pay in lieu of certain holidays worked		**-**	2,040	**-**	2,040
Redundancy provision		**-**	28,196	**-**	28,129
Total employee benefits		**277,523**	397,213	**277,523**	397,091
Workers' compensation	12.5	**63,363**	79,191	**63,363**	79,191
Public liability claims	12.6	**8,936**	7,635	**8,936**	7,635
Legal claims	12.7	**410**	837	**410**	837
Airport Line asset replacement	12.8	**6,651**	10,439	**6,651**	10,439
Quarry restoration	12.9	**3,907**	3,811	**3,907**	3,811
Land and building remediation	12.10	**47,417**	60,490	**47,417**	60,490
Restoration on leased premises		**-**	3,600	**-**	3,600
Total provisions		**408,207**	563,216	**408,207**	563,094

(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 RailCorp 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)

Consolidated	Within 12 months $'000	Later than 12 months $'000	Total $'000
2015			
Long service leave	-	-	-
Annual leave	-	-	-
Pay in lieu of certain holidays worked	-	-	-
	-	-	-
2014			
Long service leave	39,371	-	39,371
Annual leave	15,914	-	15,914
Pay in lieu of certain holidays worked	2,040	-	2,040
	57,325	-	57,325

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 (SANCSS) 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. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers. The defined benefits scheme applies to the Parent only.

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

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.

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 year.

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.1 Overview (continued)

The recognised liability or asset at reporting date comprises the following:

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Superannuation position for AASB 119 purposes				
2015				
Accrued liability (note 1)	**357,632**	**738**	**41,171**	**399,541**
Estimated reserve account balance	**(106,845)**	**3,693**	**(18,867)**	**(122,019)**
Deficit/(surplus)	**250,787**	**4,431**	**22,304**	**277,522**
Future service liability (note 2)	**40**	**16**	**-**	**56**
Surplus in excess of recovery available from schemes	**-**	**-**	**-**	**-**
Net (asset)/liability to be recognised in Statement of Financial Position	**250,787**	**4,431**	**22,304**	**277,522**
2014				
Accrued liability (note 1)	403,430	14,154	40,357	457,941
Estimated reserve account balance	(122,320)	(4,619)	(19,320)	(146,259)
Deficit/(surplus)	281,110	9,535	21,037	311,682
Future service liability (note 2)	9,400	5,471	-	14,871
Surplus in excess of recovery available from schemes	-	-	-	-
Net (asset)/liability to be recognised in Statement of Financial Position	281,110	9,535	21,037	311,682

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).

Member numbers	SASS	SANCS	SSS
2015			
Contributors	**2**	**2**	**-**
Deferred benefits	**-**	**-**	**-**
Pensioners	**393**	**-**	**20**
Pensions fully commuted	**-**	**-**	**-**
2014			
Contributors	200	201	1
Deferred benefits	-	-	1
Pensioners	362	-	19
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	**281,110**	**9,535**	**21,037**	**311,682**
Net Defined Benefit Liability transferred to Sydney Trains and NSW Trains due to bulk transfers out upon administrative restructure at 31 July 2014	**(21,117)**	**(2,230)**	**-**	**(23,347)**
Current service cost	**913**	**326**	**82**	**1,321**
Net Interest on the net defined benefit liability/(asset)	**9,195**	**248**	**751**	**10,194**
Past service cost	**-**	**-**	**-**	**-**
(Gains)/losses arising from settlements	**-**	**-**	**-**	**-**
Actual return on Fund assets less interest income	**(8,367)**	**(30)**	**(1,523)**	**(9,920)**
Actuarial (gains)/losses arising from changes in demographic assumptions	**390**	**4**	**-**	**394**
Actuarial (gains)/losses arising from changes in financial assumptions	**26,131**	**20**	**3,212**	**29,363**
Actuarial (gains)/losses arising from liability experience	**(10,790)**	**(388)**	**(1,255)**	**(12,433)**
Adjustment for effect of asset ceiling	**-**	**-**	**-**	**-**
Employer contributions	**(25,397)**	**(5,000)**	**-**	**(30,397)**
Effects of transfers in/out due to business combinations and disposals	**(1,281)**	**1,946**	**-**	**665**
Net defined benefit liability/(asset) at end of year	**250,787**	**4,431**	**22,304**	**277,522**
2014				
Net defined benefit liability/(asset) at start of year	492,130	23,518	26,459	542,107
Net Defined Benefit Liability transferred to Sydney Trains and NSW Trains due to bulk transfers out upon administrative restructure at 1/7/2013	(221,090)	(22,917)	-	(244,007)
Adjusted Net Defined Benefit Liability/(Asset) at start of year after transfers	271,040	601	26,459	298,100
Current service cost	3,936	1,477	241	5,654
Net Interest on the net defined benefit liability/(asset)	9,356	740	1,155	11,251
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(14,855)	(4,560)	(1,146)	(20,561)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	14,578	886	1,344	16,808
Actuarial (gains)/losses arising from liability experience	(2,482)	10,391	(7,009)	900
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(463)	-	(7)	(470)
Net defined benefit liability/(asset) at end of year	281,110	9,535	21,037	311,682

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	**122,320**	**4,619**	**19,320**	**146,259**
Bulk transfers out upon administrative restructure at 31 July 2014 to Sydney Trains and NSW Trains	**(73,598)**	**(8,115)**	**-**	**(81,713)**
Interest income	**3,860**	**14**	**663**	**4,537**
Actual return on Fund assets less interest income	**8,367**	**30**	**1,523**	**9,920**
Employer contributions	**25,397**	**5,000**	**-**	**30,397**
Contributions by Fund participants	**1,518**	**-**	**17**	**1,535**
Benefits paid	**(66,186)**	**(7,748)**	**(2,783)**	**(76,717)**
Taxes, premiums & expenses paid	**36,861**	**(723)**	**127**	**36,265**
Transfers in/out due to business combinations and disposals	**48,306**	**3,230**	**-**	**51,536**
Contributions to accumulation section	**-**	**-**	**-**	**-**
Settlements	**-**	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**	**-**
Fair value of Fund assets at end of year	**106,845**	**(3,693)**	**18,867**	**122,019**
2014				
Fair value of Fund assets at beginning of year	1,216,407	137,184	24,007	1,377,598
Bulk transfers out upon administrative restructure at 1/7/2013 to Sydney Trains and NSW Trains	(876,106)	(94,509)	-	(970,615)
Adjusted fair value of Fund assets at beginning of the year after transfers	340,301	42,675	24,007	406,983
Interest income	10,559	460	699	11,718
Actual return on Fund assets less Interest income	14,855	4,560	1,146	20,561
Employer contributions	463	-	7	470
Contributions by Fund participants	2,197	-	180	2,377
Transfer in/(benefits paid)	(282,468)	(38,250)	(6,738)	(327,456)
Taxes, premiums & expenses paid	36,413	(4,826)	19	31,606
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of year	122,320	4,619	19,320	146,259

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.4 Reconciliation of defined benefit obligation

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
2015				
Present value of defined benefit obligations at beginning of year	**403,430**	**14,154**	**40,357**	**457,941**
Bulk transfers out upon administrative restructure at 31 July 2014 to Sydney Trains and NSW Trains	**(94,715)**	**(10,345)**	**-**	**(105,060)**
Current service cost	**913**	**326**	**82**	**1,321**
Interest cost	**13,055**	**262**	**1,414**	**14,731**
Contributions by participants	**1,518**	**-**	**17**	**1,535**
Actuarial (gains)/losses arising from changes in demographic assumptions	**390**	**4**	**-**	**394**
Actuarial (gains)/losses arising from changes in financial assumptions	**26,131**	**20**	**3,212**	**29,363**
Actuarial (gains)/losses arising from liability experience	**(10,790)**	**(388)**	**(1,255)**	**(12,433)**
Transfer in/(benefits paid)	**(66,186)**	**(7,748)**	**(2,783)**	**(76,717)**
Taxes, premiums & expenses paid	**36,861**	**(723)**	**127**	**36,265**
Transfers in/out due to business combinations and disposals	**47,025**	**5,176**	**-**	**52,201**
Contributions to accumulation section	**-**	**-**	**-**	**-**
Past service cost	**-**	**-**	**-**	**-**
Settlements	**-**	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**	**-**
Present value of defined benefit obligations at end of year	**357,632**	**738**	**41,171**	**399,541**
2014				
Present value of defined benefit obligations at beginning of year	1,708,537	160,702	50,466	1,919,705
Bulk transfers out upon administrative restructure at 1/7/2013 to Sydney Trains and NSW Trains	(1,097,195)	(117,427)	-	(1,214,622)
Adjusted present value of defined benefit obligations at beginning of the year	611,342	43,275	50,466	705,083
Current service cost	3,936	1,477	241	5,654
Interest cost	19,914	1,201	1,854	22,969
Contributions by Fund participants	2,197	-	180	2,377
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	14,578	886	1,344	16,808
Actuarial (gains)/losses arising from liability experience	(2,482)	10,391	(7,009)	900
Transfer in/(benefits paid)	(282,468)	(38,250)	(6,738)	(327,456)
Taxes, premiums & expenses paid	36,413	(4,826)	19	31,606
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of year	403,430	14,154	40,357	457,941

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.5 Reconciliation of the effect of the asset ceiling

There was no adjustment for effect of the asset ceiling.

12.2.6 Fair value of Fund assets

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

Asset category	Total $'000	Quoted prices in active markets for identical assets Level 1 $'000	Significant unobservable inputs Level 2 $'000	unobservable inputs Level 3 $'000
2015				
Short Term Securities	**2,641,516**	**95,603**	**2,545,913**	**-**
Australian Fixed Interest	**2,656,598**	**958**	**2,638,759**	**16,881**
International Fixed Interest	**1,003,849**	**(110)**	**1,003,959**	**-**
Australian Equities	**10,406,940**	**9,898,541**	**503,999**	**4,400**
International Equities	**13,111,481**	**9,963,287**	**2,585,150**	**563,044**
Property	**3,452,609**	**948,421**	**718,406**	**1,785,782**
Alternatives	**7,170,187**	**622,102**	**3,020,225**	**3,527,860**
Total*	**40,443,180**	**21,528,802**	**13,016,411**	**5,897,967**
2014				
Short Term Securities	2,452,755	1,572,615	880,140	-
Australian Fixed Interest	2,365,014	10,928	2,354,086	-
International Fixed Interest	880,529	-	880,529	-
Australian Equities	11,738,636	11,494,549	241,423	2,664
International Equities	10,953,329	8,172,677	2,780,531	121
Property	3,272,986	894,113	692,296	1,686,577
Alternatives	6,329,410	565,401	4,897,152	866,857
Total*	37,992,659	22,710,283	12,726,157	2,556,219

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

	2015 **%**	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**	100

*Additional to the assets disclosed above, at 30 June 2015 Pooled Fund has provisions for receivables/(payables) estimated to be around $1.74 billion (2014: $2.2 billion), giving an estimated assets totalling around $42.2 billion (2014: $40.2 billion).

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.6 Fair value of Fund assets (continued)

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

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

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

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

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 $209.2m (2014: $173.9m) in NSW government bonds.

12.2.8 Significant actuarial assumptions at the reporting date

	2015	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**	2.50% pa
Pensioner mortality	**The pensioner mortality assumptions are as per the 2012 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.**	as per the 2012 Actuarial Investigation of the Pooled Fund

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.9 Sensitivity analysis

The 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.

30.6.2015	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 ($'000)	**399,541**	**459,857**	**350,553**

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of Discount rate
Discount rate	**as above**	**as above**	**as above**
Rate of CPI increase	**as above**	**above rates plus 0.5% pa**	**above rates less 0.5% pa**
Salary inflation rate	**as above**	**as above**	**as above**
Defined benefit obligation ($'000)	**399,541**	**427,217**	**374,401**

	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 ($'000)	**399,541**	**400,772**	**398,360**

	Base case	Scenario G +0.5% pensioner mortality rate	Scenario H -0.5% pensioner mortality rate
Defined benefit obligation ($'000)	**399,541**	**395,025**	**404,336**

Note 12 Provisions (continued)

12.2 Superannuation (continued)

12.2.9 Sensitivity analysis (continued)

30.6.2014	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 ($'000)	457,941	518,285	408,733

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of Discount rate
Discount rate	as above	as above	as above
Rate of CPI increase	2.50%	3.00%	2.00%
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	457,941	482,226	435,875

	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 ($'000)	457,941	462,414	453,677

	Base case	Scenario G +0.5% pensioner mortality rate	Scenario H -0.5% pensioner mortality rate
Defined benefit obligation ($'000)	457,941	454,282	461,817

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 settling 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 financial position of the Fund calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans:

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
2015				
Accrued benefits	**173,690**	**61**	**20,915**	**194,666**
Net market value of Fund assets	**(106,845)**	**3,693**	**(18,867)**	**(122,019)**
Net (surplus)/deficit	**66,845**	**3,754**	**2,048**	**72,647**
2014				
Accrued benefits*	249,865	10,387	21,832	282,084
Net market value of Fund assets	(122,320)	(4,619)	(19,320)	(146,259)
Net deficit	127,545	5,768	2,512	135,825

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

(b) Contribution recommendations

The recommended contribution rate is zero.

(c) Economic assumptions

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

	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 salary increase)	**SASS, SANCS, SSS 2.7% pa to 30 June 2018, then 4.0% pa thereafter**	SASS, SANCS, SSS 2.7% pa for 4 years then 4.0% pa
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 $15.39m (2014: nil).

12.2.13 Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.7 years.

12.2.14 Expense/(income) recognised in the Statement of Comprehensive Income

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
2015				
Current service cost	**913**	**326**	**82**	**1,321**
Net interest	**9,195**	**248**	**751**	**10,194**
Profit and loss component of the defined benefit cost	**10,108**	**574**	**833**	**11,515**
2014				
Current service cost	3,936	1,477	241	5,654
Net interest	9,356	740	1,155	11,251
Defined benefit cost	13,292	2,217	1,396	16,905

12.2.15 Amounts recognised in Other Comprehensive Income

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
2015				
Actuarial (gain)/loss on liabilities	**15,731**	**(364)**	**1,957**	**17,324**
Actual return on Fund assets less Interest income	**(8,367)**	**(30)**	**(1,523)**	**(9,920)**
Effects of transfers in/out due to business combination and disposals at 31 July 2014	**(1,281)**	**1,946**	**-**	**665**
Total remeasurement in Other Comprehensive Income	**6,083**	**1,552**	**434**	**8,069**
2014				
Actuarial (gain)/loss on liabilities	12,096	11,277	(5,665)	17,708
Actual return on Fund assets less Interest income	(14,855)	(4,560)	(1,146)	(20,561)
Total remeasurement in Other Comprehensive Income	(2,759)	6,717	(6,811)	(2,853)

12.2.16 Impact of RailCorp restructure at 31 July 2014

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net Defined Benefit Liability transferred to Sydney Trains and NSW Trains due to bulk transfers out upon administrative restructure at 31 July 2014	**(21,117)**	**(2,230)**	**-**	**(23,347)**

Note 12 Provisions (continued)

12.3 Long service leave

RailCorp ceased to have any employees from August 2014 as a result of Administrative Orders which transferred the majority of staff to either Sydney Trains or NSW Trains.

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.

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

12.4 Movements in provisions (other than employee benefit provisions)

Parent and Consolidated	Carrying amount at start of year $'000	Administrative restructures - transfers out $'000	Increase in provision $'000	Discounting adjustment $'000	Payment of claims $'000	Unused amount reversed $'000	Carrying amount at end of year $'000
2015							
Workers Compensation	**79,191**	**-**	**-**	**1,997**	**8,349**	**9,476**	**63,363**
Public liability claims	**7,635**	**-**	**8,098**	**72**	**3,832**	**3,037**	**8,936**
Legal Claims	**837**	**-**	**190**	**-**	**227**	**390**	**410**
Airport Line Asset replacement	**10,439**	**-**	**-**	**(282)**	**3,506**	**-**	**6,651**
Quarry restoration	**3,811**	**-**	**77**	**19**	**-**	**-**	**3,907**
Land & buildings remediation	**60,490**	**-**	**15,570**	**1,194**	**13,861**	**15,976**	**47,417**
Restoration of leased premises	**3,600**	**-**	**-**	**22**	**-**	**3,622**	**-**
2014							
Workers Compensation	96,049	-	-	2,833	10,438	9,253	79,191
Public liability claims	10,034	-	298	36	2,733	-	7,635
Legal Claims	2,131	-	494	-	230	1,558	837
Airport Line Asset replacement	11,012	-	-	1,320	1,893	-	10,439
Quarry restoration	3,745	-	162	(96)	-	-	3,811
Land & buildings remediation	63,705	-	7,629	2,266	5,035	8,075	60,490
Ballast disposal	16,724	(16,724)	-	-	-	-	-
Restoration of leased premises	3,756	-	133	161	80	370	3,600

Note 12 Provisions (continued)

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 RailCorp 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% per annum over the next 10 years (2014: ranging from 2.5% to 4.3% per annum) and a future wage inflation rate of 4% per annum over the next 10 years (2014: 4% per annum over the next 10 years).

The actuary has advised that no allowance was made for asbestos related claims (2014: nil). Liabilities for such claims prior to July 1996 were vested to the Crown. Post 1996 exposure to asbestos is low, highly uncertain and, therefore, cannot be quantified with any reliability.

12.6 Public liability claims

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

Any claim recoverable from RailCorp's insurer is also recognised as a receivable or disclosed as a contingent asset, depending on its probability of settlement. Refer Notes 6 and 16.

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 Legal claims

The legal claims provision recognises claims against RailCorp arising from prosecutions or fines in relation to legislative or contractual breaches or other matters.

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

12.8 Airport Line asset replacement

The Airport Line asset replacement provision recognises RailCorp's contractual obligation to fund the replacement of major track and tunnel assets on the Airport Line, by the line's maintenance contractor during the term of the contract to 2030. Any unused balance of the provision remaining in 2030 will be shared equally with the maintenance contractor.

The liability at year end is the unused portion of the contractually specified maximum sum to be provided. The quantum and timing of payments are inherently uncertain as they are based on unpredictable future claims by the maintenance contractor. This provision has been discounted to a present value that reflects the time value of money.

12.9 Quarry restoration

The quarry restoration provision recognises RailCorp's legal obligation to restore quarry sites when operations cease.

The liability at year end was assessed by an independent expert undertaking site inspections to estimate the minimum cost of the necessary restoration work. The liability is inherently uncertain due to the time likely to elapse before the restoration is required.

Note 12 Provisions (continued)

12.10 Land and buildings remediation provision

This provision is comprised of $17.1m (2014: $25.6m) for remediation of asbestos and $30.4m (2014: $34.9m) for remediation of contaminated land.

In response to the identification of asbestos contamination in a railway station in March 2006, RailCorp initiated a program of hazardous materials surveys to identify the full extent of contamination and remedial action required in stations.

The program has since been extended to encompass other hazardous materials and operational buildings including signal boxes, depots and maintenance centres as well as rolling stock.

Note 13 Contributed equity

13.1 Contributed equity

	Note	**Parent and Consolidated 30.6.2015 $'000**	Parent and Consolidated 30.6.2014 $'000
Contributed equity at start of year		**14,428,086**	14,653,056
Net assets / liabilities contributed by Government	13.2	**(1,245,867)**	(224,970)
Contributed equity at end of year		**13,182,219**	14,428,086

13.2 Decrease in net assets from equity transfers

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 the associated employee liabilities of $96.9m, payables of $0.61m and receivables of $0.094m from RailCorp to Sydney Trains and NSW Trains in July and August 2014.
- RailCorp ceased to control TCS on 1 August 2014 which resulted in the transfer of cash of $5.5m, receivables of $6.1m and payables of $11.6m
- Ministerial Orders transferred equity by way of a receivable of $1,340m from RailCorp to Sydney Trains and NSW Trains as a result of the capital structure arrangements.

In the prior year assets of $2,559m and liabilities of $2,337m were transferred from RailCorp to Sydney Trains and NSW Trains on 1 July 2013 as part of the restructure of the NSW rail industry.

Note 13 Contributed equity (continued)

13.2 Decrease in net assets from equity transfers (continued)

	Consolidated* 30.6.2015 $'000	Parent and Consolidated 30.6.2014 $'000
Assets transferred to other entities		
Cash assets	**(5,535)**	(106,541)
Receivables (current)	**(1,345,944)**	(40,989)
Inventories	**-**	(55,527)
Derivative financial instruments (current)	**-**	(2,328)
Property, plant and equipment (net)	**(2,850)**	(2,111,895)
Intangible Assets	**(717)**	(229,335)
Other non-current assets	**-**	(11,923)
Derivative financial instruments (non-current)	**-**	(558)
Total assets	**(1,355,046)**	(2,559,096)
Liabilities transferred to other entities		
Payables	**12,277**	333,078
Provisions (current)	**71,230**	370,259
Provisions (non-current)	**25,672**	294,840
Borrowings (current)	**-**	61,870
Borrowings (non-current)	**-**	1,271,193
Derivative financial instruments (current)	**-**	5,262
Derivative financial instruments (non-current)	**-**	302
Total liabilities	**109,179**	2,336,804
Total net assets / liabilities transferred	**(1,245,867)**	(222,292)
Hedging reserves	**-**	(2,678)
Net assets / liabilities contributed by Government	**(1,245,867)**	(224,970)

*In 2014-15, the parent entity balances are the same as the consolidated entity except for cash, receivables and payables. In particular for the parent entity, cash is nil (consolidated: $5.5m), receivables is $1,340m (consolidated: $1,346m) and payables is $614,000 (consolidated: $12.3m). The total impact to Net assets / liabilities contributed by Government is $1,245.9m for both the parent and consolidated entity.

Note 14 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 RailCorp 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.

RailCorp by virtue of its operations has a range of possible contamination in land and buildings. RailCorp is engaged in an ongoing process of identifying necessary remediation of land and buildings the final amount of which is contingent on further investigation and cannot be accurately calculated at the date of preparation of these Financial Statements. Land and buildings remediation, where there is a legal or constructive obligation to undertake remediation and the cost of which can be reliably estimated has been provided for.

Refer Note 12.10.

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 RailCorp 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 15 Fair value measurements of non-financial assets

15.1 Fair value measurements of non-financial assets

RailCorp measures and recognises the following assets at fair value on a recurring basis:

- Land
- Building
- Rolling stock
- Plant and machinery
- Track work and infrastructure
- Other assets

Due to the specialised nature of RailCorp assets apart from some plant and machinery items such as forklifts and loaders, all others are not traded in active market.

RailCorp has also measured assets of $0.7m (2014:$11.8m) at fair value on a non-recurring basis as a result of classifying the assets as held for sale.

Note 15 Fair value measurements of non-financial assets (continued)

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

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2015.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
2015				
Land	**-**	**-**	**4,295,411**	**4,295,411**
Building	**-**	**-**	**6,316,611**	**6,316,611**
Rolling stock	**-**	**-**	**1,830,219**	**1,830,219**
Plant and equipment	**-**	**1,013**	**189,027**	**190,040**
Track work and infrastructure	**-**	**-**	**11,706,057**	**11,706,057**
Other assets	**-**	**-**	**56,504**	**56,504**
Total recurring fair value measurements	**-**	**1,013**	**24,393,829**	**24,394,842**
2014				
Land	-	-	3,844,298	3,844,298
Building	-	-	5,160,978	5,160,978
Rolling stock	-	-	1,955,206	1,955,206
Plant and equipment	-	1,627	187,653	189,280
Track work and infrastructure	-	-	11,495,903	11,495,903
Other assets	-	-	50,706	50,706
Total recurring fair value measurements	**-**	**1,627**	**22,694,744**	**22,696,371**

Level 2 fair value inputs include inputs other than quoted prices being known sales of comparable items to those assessed on a market evidence basis.

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

Plant and Equipment had some level 2 market based evidence whilst all other categories have been based on level 3 inputs.

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

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

15.2 Valuation techniques used to derive level 2 and 3 fair values

Recurring fair value measurements

The fair value of non-financial assets that are not traded in an active market such as land, buildings, rolling stock, trackwork, infrastructure and specialised plant and equipment are determined using valuation techniques. The valuation techniques adapted involve the use of the cost approach in view of the specialised nature of the assets and the not for profit nature of RailCorp. 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. In arriving at the fair value for rolling stock and major plant and equipment where level 2 inputs other than quoted prices were used for similar assets that were observable with adjustments made to account for their operational suitability to RailCorp assets.

The fair value of RailCorp's right to receive four stations is determined using the present value technique. RailCorp has disclosed as 'other non-current assets' in the Statement of Financial Position. Inputs considered include the concession period, useful lives of the four stations, replacement costs, discount rates and escalation factors.

All of the resulting fair value estimates are included in levels 2 and 3 of the fair value hierarchy.

Note 15 Fair value measurements of non-financial assets (continued)

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

The following table is a reconciliation of level 3 items.

	Land $'000	Building $'000	Rolling stock $'000	Plant and equipment $'000	Track work and infrastructure $'000	Other assets $'000	Total $'000
Fair value at 1 July 2014	**3,844,298**	**5,160,978**	**1,955,206**	**187,653**	**11,495,903**	**50,706**	**22,694,744**
Assets held for Sale	**(700)**	**-**	**-**	**-**	**-**	**-**	**(700)**
Additions/transfers in	**114,456**	**688,239**	**22,194**	**35,779**	**735,830**	**-**	**1,596,498**
Disposals/transfers out	**(3,703)**	**(42,087)**	**(217)**	**(2,953)**	**(8,124)**	**-**	**(57,084)**
Gains/(losses) recognised in the Statement of Comprehensive Income*	**-**	**(204,237)**	**(146,964)**	**(31,452)**	**(517,552)**	**5,798**	**(894,407)**
Gains/(losses) recognised in Other Comprehensive Income	**341,060**	**713,718**	**-**	**-**	**-**	**-**	**1,054,778**
Fair value at 30 June 2015	**4,295,411**	**6,316,611**	**1,830,219**	**189,027**	**11,706,057**	**56,504**	**24,393,829**
Fair value at 1 July 2013	3,853,661	5,477,192	3,815,864	285,153	10,738,365	45,287	24,215,522
Transfers to Sydney Trains and NSW Trains	-	(227,702)	(1,802,540)	(42,961)	-	-	(2,073,203)
Assets held for Sale	(5,122)	(2,199)	(54)	(2,743)	(1,215)	-	(11,333)
Additions	461	78,642	24,221	1,660	1,279,934	-	1,384,918
Disposals	(4,702)	(1,597)	-	(1,115)	(43,603)	-	(51,017)
Gains/(losses) recognised in the Statement of Comprehensive Income*	-	(163,358)	(138,371)	(34,504)	(477,578)	5,419	(808,392)
Gains/(losses) recognised in Other Comprehensive Income	-	-	56,086	(17,837)	-	-	38,249
Fair value at 30 June 2014	**3,844,298**	**5,160,978**	**1,955,206**	**187,653**	**11,495,903**	**50,706**	**22,694,744**

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

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 and prior year.

Note 15 Fair value measurements of non-financial assets (continued)

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

Valuation inputs and relation to fair value
Valuation inputs are consistently applied and have taken account of observable inputs which have then been adjusted for obsolescence and there has been no material change.

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

Unobservable inputs for infrastructure and buildings relate to raw materials and labour rates after considering historical data, existing assets and current railway infrastructure technologies. The inputs are categorised in level 3 of the fair value hierarchy and are unobservable due to the specialised nature of RailCorp assets. Other inputs include pricing, construction methodology, structural foundations, and other specific allowances were considered to establish the optimised replacement cost of each asset.

Unobservable inputs for other non- current assets include the replacement cost of the four stations in 2030, the discount rate and escalation factor.

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

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 of 10-30 years and above. Qualitative attractiveness represents the discount to cost for an older item and is known as the indifference rental. 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.	5-20% based on fleet age $152m $72m	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 $1.5m. The higher the obsolescence factors, the lower the fair value. A 1% increase/decrease will change fair value by $0.72m.
Plant & machinery	Physical & technical obsolescence	$1.5M (attributed to overhaul costs)	Impact to fair value is not material
Other assets	Replacement cost Discount rate Escalation rate	$212m 7% 2.5%	The fair value will increase/ (decrease) if the estimated: • replacement cost increases/ (decreases) • discount rate decreases (increases) • escalation rate increases/ (decreases)

Note 15 Fair value measurements of non-financial assets (continued)

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

Valuation inputs and relation to fair value (continued)

Description	Significant Unobservable Input	Range of Inputs (probability or weighted average)	Relationship of unobservable inputs to fair value
Buildings	Contractor in-directs are based on past related index movements and consist mainly of preliminaries, overhead, margin and professional fees	38%-51% based on simple, semi-complex or complex site classifications	The higher the contractor in-directs, the higher the fair value. A 5% increase/decrease will change fair value by $77.6m.
	Other model in-directs are based on current industry standards / similar project outcomes and consist mainly of corporate overhead and project management.	25%	The higher the in-directs, the higher the fair value. A 5% increase / decrease will change fair value by approximately $43.6m
Track work & infrastructure	Optimisation factors based on capacity, quality, configuration and the useful life of the asset to move from the Modern Engineering Equivalent Replacement Assets (MEERA) model. The factors are only quantifiable for bridges and culverts	40-100%	The lower the optimisation factor the lower the fair value. A 1% increase/decrease will increase/reduce fair value by $14m.
	Other model in-directs such as contractor costs / client costs which are based on industry standards or similar project outcomes.	111% (on average)	The higher the in-directs the higher the fair value. A 1% increase / decrease will change fair value by $52m
Land	Discount factor applied to adjacent land use values	40-60% (station and maintenance areas) 60% (corridors) 90% (underground stations) 95% (underground corridors)	The higher the discount factor the lower the fair value. A 1% increase / decrease will change fair value by $102m.

Note 16 Financial instruments

16.1 Financial instruments

RailCorp and its former controlled entities hold the following financial instruments:

	Consolidated		Parent	
	30.6.2015 $'000	30.6.2014 $'000	**30.6.2015 $'000**	30.6.2014 $'000
Financial assets				
Cash and cash equivalents	**103,046**	178,983	**103,046**	177,458
Trade and other receivables*	**56,140**	297,210	**56,140**	290,518
Total financial assets	**159,186**	476,193	**159,186**	467,976
Financial liabilities				
Trade and other payables**	**117,036**	142,725	**117,036**	136,526
Borrowings	**1,424,487**	883,499	**1,424,487**	883,499
Payable to rail entities	**609,835**	-	**609,835**	-
Derivative financial liabilities	**-**	14	**-**	14
Total financial liabilities	**2,151,358**	1,026,238	**2,151,358**	1,020,039

* 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*

Note 16 Financial instruments (continued)

16.2 Financial risks

The operational activities of RailCorp expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). A risk management program focuses on financial performance and seeks to minimise potential adverse effects from financial market price movements. RailCorp 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 risk and an ageing analysis for credit risk.

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

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

16.3 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 RailCorp's foreign exchange and interest rate.

Sensitivity analysis on market risk is based on price variability taking into account the economic environment in which RailCorp 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.

16.3.1 Foreign exchange risk

The majority of RailCorp's exposure to foreign exchange risk was transferred to Sydney Trains and TFNSW from 1 July 2013. RailCorp 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 RailCorp 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 16.4.

Note 16 Financial instruments (continued)

16.3 Market Risk (continued)

16.3.1 Foreign exchange risk (continued)

RailCorp's foreign currency contracts outstanding at year 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 Euros						
Not later than 3 months	-	-	-	-	-	-
Later than 3 months and not later than 12 months	-	0.6599	-	414	-	400
Later than 12 months	-	-	-	-	-	-
Total hedged Euros contracts			-	414	-	400
Total hedged purchase			-	414	-	400

Foreign exchange risk sensitivity analysis

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

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

Based on the financial instruments held at balance date, 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	2014 AUD '000	Other Comprehensive Income Higher/(Lower) 2015 AUD '000	2014 AUD '000
Euros	-	-	-	(36)
Total	-	-	-	(36)

Increase of 10%	Surplus Higher/(Lower) 2015 AUD '000	2014 AUD '000	Other Comprehensive Income Higher/(Lower) 2015 AUD '000	2014 AUD '000
Euros	-	-	-	44
Total	-	-	-	44

Note 16 Financial instruments (continued)

16.3 Market risk (continued)

16.3.2 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. RailCorp's main interest rate risk relates primarily to borrowings and deposits on call with TCorp.

Investment
RailCorp invests in the TCorp 11 am Call Deposit. Funds are held for operational rather than trading purposes.

The TCorp 11am Call Deposit facility is designated at cost through the profit and loss. Therefore, any changes in price impacts on profit and loss (rather than comprehensive income).

Debt
RailCorp adopts a continuously diversified approach to managing its debt portfolio. Debt maturity is spread across the yield curve, comprising both short-term TCorp borrowing and long-term semi government bonds. A neutral benchmark measures the performance of the debt portfolio.

RailCorp's Treasury Management Policy requires a fixed/floating ratio where no more than 70% of the portfolio's face value can be fixed rate debt or floating rate debt. Modified duration of the long-term debt must be between 2 and 6 years. The debt portfolio is managed through a restructuring facility offered by TCorp. Borrowings issued at variable rates expose RailCorp to cash flow risk.

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

Parent	Interest Rate 2015 %	2014 %	Principal Amount 2015 $'000	2014 $'000
Financial assets				
Not later than 1 year				
Cash at bank	**2.85**	3.35	**101,527**	175,494
Deposits on Call - TCorp Investment	**1.95**	2.48	**1,519**	1,964
Total financial assets			**103,046**	177,458
Financial liabilities				
Not later than 1 year				
Borrowings	**2.31**	2.73	**470,510**	651,000
Between 1 and 5 years				
Borrowings	**3.18**	4.08	**495,969**	133,275
Later than 5 years				
Borrowings	**3.54**	5.05	**458,008**	99,223
Total financial liabilities			**1,424,487**	883,498
Net exposure			**(1,321,441)**	(706,040)

Interest rate risk is not applicable to the finance lease.

Note 16 Financial instruments (continued)

16.3 Market risk (continued)

16.3.2 Interest rate risk (continued)

Interest rate sensitivity analysis

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

	Change in yield	**Impact on surplus 2015 $'000**	Impact on surplus 2014 $'000	**Impact on Other Comprehensive Income 2015 $'000**	Impact on Other Comprehensive Income 2014 $'000
TCorp investments	-1%	**(1,030)**	(1,775)	**-**	-
and bank deposits	1%	**1,030**	1,775	**-**	-

If interest rates had changed by 1% the TCorp investments bank deposits would have moved by 1% and affected RailCorp's profit and loss by the following:

	Change in yield	**Impact on surplus 2015 $'000**	Impact on surplus 2014 $'000	**Impact on Other Comprehensive Income 2015 $'000**	Impact on Other Comprehensive Income 2014 $'000
Borrowings	-1%	**14,245**	8,835	**-**	-
	1%	**(14,245)**	(8,835)	**-**	-

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

16.4 Credit risk

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

Credit risk can arise from financial assets of RailCorp, including cash and cash equivalents, derivative financial instruments, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions. RailCorp holds bank guarantees for significant customers as well as property bonds for some leased premises. RailCorp 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).

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

Credit risk associated with RailCorp's financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. The *Public Authorities (Financial Arrangements) Act 1987* requires RailCorp 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.

RailCorp held $103m (2014: $177.5m) in cash at bank and investments at 30 June 2015. This was held with TCorp and Westpac Banking Corporation.

Note 16 Financial instruments (continued)

16.4 Credit risk (continued)

Derivatives

In relation to foreign exchange contracts and commodity swap transactions, RailCorp only transacts with counterparties with a Standard & Poor's long-term credit rating of A or greater. RailCorp held nil (2014: $0.1m) in derivative financial liabilities.

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

RailCorp 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.

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

Investments

RailCorp held funds on deposit with TCorp and Westpac Banking Corporation at 30 June 2015. The deposits at balance date were earning an average interest rate of 2.84% (2014: 3.31%) while over the year the weighted average interest rate was 3.27% (2014: 3.26%) on an average balance during the year of $96.5m (2014: $25.6m).

16.5 Liquidity risk

Liquidity risk refers to RailCorp being unable to meet its payment obligations when they fall due. RailCorp 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.

Current investment powers allow RailCorp to manage liquidity through TCorp's facilities. The bank balance is managed daily to a minimum set-off balance with surplus funds being invested in the TCorp 11am Call Deposit or Hour Glass Cash Facility. Shortfalls in working capital funding are managed through TCorp's Come & Go Facility. RailCorp's bank accounts are on an account set off arrangement so funds are aggregated to allow flexibility.

Credit standby arrangements are shown at Note 5.3.

During the current and prior years, there have been no defaults or breaches on any loans payable. No assets have been pledged as collateral. RailCorp 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 16 Financial instruments (continued)

16.5 Liquidity risk (continued)

Parent	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	**103,046**	**103,046**	**103,046**	**-**	**-**
Trade and other receivables	**56,140**	**56,140**	**22,846**	**1,520**	**31,774**
	159,186	**159,186**	**125,892**	**1,520**	**31,774**
Financial liabilities					
Trade and other payables	**117,036**	**117,036**	**117,036**	**-**	**-**
Borrowings	**1,424,487**	**1,636,064**	**517,145**	**629,166**	**489,753**
	1,541,523	**1,753,100**	**634,181**	**629,166**	**489,753**
30 June 2014					
Financial assets					
Cash & cash equivalents	177,458	177,458	177,458	**-**	**-**
Trade and other receivables	290,518	290,518	256,960	3,812	29,746
	467,976	467,976	434,418	3,812	29,746
Financial liabilities					
Trade and other payables	136,526	136,526	136,526	-	-
Borrowings	883,499	938,505	665,403	167,483	105,619
	1,020,025	1,075,031	801,929	167,483	105,619
Derivatives					
Forward exchange contracts outflow	(400)	(414)	(414)	-	-
	(400)	(414)	(414)	-	-

16.6 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.

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

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

Financial assets and liabilities recognised at fair value after initial recognition include foreign exchange contracts and borrowings in the current year. Foreign exchange contracts (assets and liabilities) are categorised within level 2 and are calculated from exchange rates that are observable either directly or indirectly and are appropriately adjusted for credit. The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to RailCorp for similar financial instruments. As at 30 June 2015, the rates were determined to be between 2.11% to 3.47% (2014: 2.65% to 3.68%). The financial assets and liabilities are recognised on a recurring basis in the Statement of Financial Position.

Note 16 Financial instruments (continued)

16.6 Fair value compared to carrying amount (continued)

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

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 liabilities					
Borrowings	**1,462,724**	**1,424,487**	**-**	**1,462,724**	**-**
Total financial liabilities	**1,462,724**	**1,424,487**	**-**	**1,462,724**	**-**
Fair value at 30 June 2014					
Financial liabilities					
Foreign exchange contracts	400	414	-	400	-
Borrowings	901,096	883,499	-	901,096	-
Total financial liabilities	901,496	883,913	-	901,496	-

Note 17 Joint operation

RailCorp has a participating 50% interest in the AK Car Joint Arrangement which operates an inspection railcar as a jointly controlled operation. The arrangement commenced on 1 February 2006. The aggregate amount of RailCorp's assets employed in the joint operation is $0.2m (2014: $0.2m).

The purpose of joint operation is to maximise the efficient use of AK Car in undertaking track conditioning monitoring services. The principle place of operation is the maintenance service centre in Granville.

Note 18 Events occurring after reporting date

From 1 July 2015, RailCorp will progressively transition to a commercial Public Trading Enterprise, Transport Asset Holding Entity (TAHE) over 3 to 5 years. Funding for future capital works has commenced via equity injections from the Government replacing grants previously provided. The net impact of TAHE on the budget for 2015-16 is $1,807m.

Prior to 30 June 2015, the Minister approved the transfer of equity from RailCorp to Sydney Trains and NSW Trains via vesting orders relating to capital structure arrangements. At 30 June 2015, RailCorp had a payable to rail entities of $609.8m as a result of the finalisation of the Capital Structure Review. This was paid in July 2015 which resulted in borrowings increasing to $2,034m.

(End of audited Financial Statements)

AUDITOR-GENERAL
NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

RAIL CORPORATION NEW SOUTH WALES

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Rail Corporation New South Wales (RailCorp), 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 RailCorp and the consolidated entity. The consolidated entity comprises RailCorp 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 RailCorp 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.

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My opinion does *not* provide assurance:

- about the future viability of RailCorp 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 PSM
Acting Auditor-General

17 September 2015
SYDNEY

Sydney Trains on behalf of RailCorp

477 Pitt St, Sydney NSW 200

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