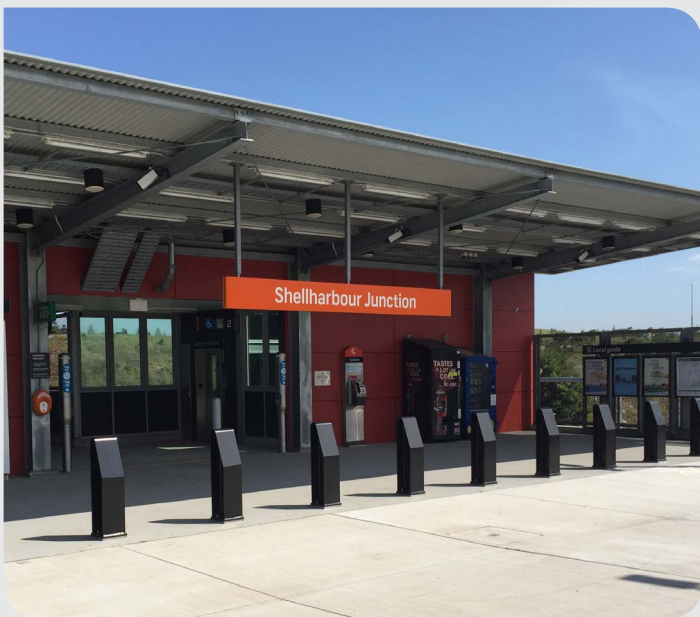


NSW Trains

2014-15 Annual Report

Volume 2



NSW Trains

Annual Financial Statements

for the year ended 30 June 2015

TABLE OF CONTENTS

Statement by the Chief Executive.....	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Note 1 Reporting entity and Financial Statements.....	7
Note 2 Summary of significant accounting policies.....	7
Note 3 Income	18
Note 4 Expenses	18
Note 5 Cash and cash equivalents	20
Note 6 Trade and other receivables	21
Note 7 Plant and equipment	22
Note 8 Intangible assets	24
Note 9 Trade and other payables	25
Note 10 Provisions	26
Note 11 Contributed equity	41
Note 12 Expenditure commitments.....	42
Note 13 Contingent liabilities and contingent assets	42
Note 14 Financial instruments	43
Note 15 Fair value measurements.....	47
Note 16 Events occurring after reporting date	48
Independent Audit Opinion.....	49

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 NSW Trains as at 30 June 2015 and of its financial performance for the year ended 30 June 2015.
- (b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, the Australian Accounting Standards, which includes Australian Accounting Interpretations, and Treasurer's directions.
- (c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Rob Mason
Chief Executive
17 September 2015

Statement of Comprehensive Income for the year ended 30 June 2015

	Note	1 July 2014 - 30 June 2015 \$'000	7 December 2012 - 30 June 2014 \$'000
Income			
Passenger services revenue		103,379	99,575
Non passenger revenue	3.1	38,207	30,291
Interest		936	2,490
Income from operating activities		142,522	132,356
Expenses			
Operating expenses			
- Payroll costs and other employee benefits	4.1	234,320	212,182
- Personnel services expenses	4.3	11,918	16,747
- Other operating expenses	4.4	539,985	514,915
Depreciation and amortisation	7.2, 8.2	596	643
Total expenses		786,819	744,487
Deficit from operations before Government contributions		(644,297)	(612,131)
Government subsidies and concessions		539,861	541,278
Deficit from operations before Capital contributions		(104,436)	(70,853)
Contributions for capital expenditure	3.2	2,225	3,200
Deficit for the period from continuing operations		(102,211)	(67,653)
Other Comprehensive Income			
<i>Items that will not be reclassified to surplus/deficit</i>			
Superannuation actuarial gains (losses) on defined benefit schemes		19,982	(26,383)
Other Comprehensive Income for the period		19,982	(26,383)
Total Comprehensive Income for the period		(82,229)	(94,036)

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

Note: NSW Trains commenced trading on 1 July 2013.

Statement of Financial Position as at 30 June 2015

	Note	30 June 2015 \$'000	30 June 2014 \$'000
Current assets			
Cash and cash equivalents	5.1	112,975	33,808
Trade and other receivables	6.1	203,937	24,987
Total current assets		316,912	58,795
Non-current assets			
Plant and equipment	7.1	3,333	676
Intangible assets	8.1	4,319	1,337
Total non-current assets		7,652	2,013
Total assets		324,564	60,808
Current liabilities			
Trade and other payables	9.1	74,033	79,912
Provisions	10.1	79,254	69,693
Total current liabilities		153,287	149,605
Non-current liabilities			
Provisions	10.1	87,372	95,028
Total non-current liabilities		87,372	95,028
Total liabilities		240,659	244,633
Net assets (liabilities)		83,905	(183,825)
Equity			
Contributed equity	11.1	260,170	(89,789)
Retained earnings		(176,265)	(94,036)
Total equity		83,905	(183,825)

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

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

	Note	Contributed equity \$'000	Accumulated funds \$'000	Total equity \$'000
Balance at 1 July 2014		(89,789)	(94,036)	(183,825)
Deficit for the year		-	(102,211)	(102,211)
Other comprehensive income				
Superannuation actuarial gains on defined benefit schemes	10.2.6	-	19,982	19,982
Total other comprehensive income for the year		-	19,982	19,982
Total comprehensive income for the year		-	(82,229)	(82,229)
Increase in net assets from equity transfers				
(contribution by owners)	11.2	349,959	-	349,959
Balance at 30 June 2015		260,170	(176,265)	83,905
Balance at 7 December 2012				
Deficit for the period		-	(67,653)	(67,653)
Other comprehensive income				
Superannuation actuarial losses on defined benefit schemes	10.2.6	-	(26,383)	(26,383)
Total other comprehensive income for the period		-	(26,383)	(26,383)
Total comprehensive income for the period		-	(94,036)	(94,036)
Decrease in net assets from equity transfers				
(contribution by owners)	11.2	(89,789)	-	(89,789)
Balance at 30 June 2014		(89,789)	(94,036)	(183,825)

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	1 July 2014 - 30 June 2015 \$'000	7 December 2012 - 30 June 2014 \$'000
Cash flows from operating activities			
<i>Cash received</i>			
Passenger Services		112,956	103,783
Other receipts from customers and others		38,040	41,031
Government subsidies and concessions		539,861	541,278
Interest received		790	2,490
Total cash received		691,647	688,582
<i>Cash used</i>			
Payment to employees		(211,082)	(201,214)
Payment to suppliers and others		(573,033)	(486,519)
Total cash used		(784,115)	(687,733)
Net cash flows from (used in) operating activities	5.2	(92,468)	849
Cash flows from investing activities			
<i>Cash received</i>			
Capital grants		5,000	3,200
Total cash received		5,000	3,200
<i>Cash used</i>			
Plant and equipment and intangible assets acquisitions		(4,027)	(424)
Total cash used		(4,027)	(424)
Net cash flows from investing activities		973	2,776
Cash flows from financing activities			
<i>Cash received</i>			
Proceeds from inter entity advance		199,000	-
Proceeds from equity vesting		109,662	-
Total cash received		308,662	-
<i>Cash used</i>			
Payment of inter entity advance		(138,000)	-
Total cash used		(138,000)	-
Net cash flows from financing activities		170,662	-
Net increase in cash and cash equivalents		79,167	3,625
Cash and cash equivalents at beginning of period		33,808	-
Cash transferred in from equity transfers	11.2	-	30,183
Cash and cash equivalents at end of period	5.1	112,975	33,808

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

Note: NSW Trains commenced trading on 1 July 2013.

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

Note 1 Reporting entity and Financial Statements

(i) Reporting entity

On 7 December 2012, NSW Trains was established under the *Transport Administration (General) Amendment (Sydney Trains and NSW Trains) Regulation 2012*. It became a statutory body on 17 May 2013 under the *Public Finance and Audit Amendment (Sydney Trains and NSW Trains) proclamation 2013*. It is domiciled in Australia and its principal office is at 470 Pitt Street Sydney, NSW 2000. Its principal objective is to deliver safe and reliable railway passenger services in NSW in an efficient, effective and financially responsible manner.

NSW Trains operates services in the intercity and regional areas and commenced operation on 1 July 2013.

The *Transport Legislation Amendment Act 2011* established Transport for NSW (TfNSW) as a controlled entity of the Department of Transport, while NSW Trains is controlled by TfNSW. The Department of Transport is consolidated as part of the NSW Total State Sector Accounts.

(ii) Authorisation of the Financial Statements

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

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

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

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations. However, certain provisions are measured at fair value. Refer Note 2.3(ii).

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

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

The Financial Statements have been prepared on a going concern basis which assumes that NSW Trains is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up their operations.

NSW Trains' continued operations and ability to pay its debts are satisfied by annual grants from the Government and availability of receivables and cash reserves.

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

Note 2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

The Financial Statements are for the year from 1 July 2014 to 30 June 2015.

The term "Inter entity" in the Financial Statements refers to transactions between NSW Trains and transport entities RailCorp, Sydney Trains, Transport Cleaning Services, TfNSW, Transport Services of NSW, State Transit Authority and Roads & Maritime Services.

The term "Rail entities" in the Financial Statements refers to transactions between NSW Trains and RailCorp, Sydney Trains and Transport Cleaning Services.

Change in accounting policy

There have been no changes in accounting policy in the year.

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 NSW Trains effective for the 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 NSW Trains' accounting policies.

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
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 107	Statement of Cash Flows	Jan 2015	1 Jul 2015
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors	Jan 2015	1 Jul 2015
AASB 110	Events after the Reporting Period	Jan 2015	1 Jul 2015
AASB 117	Leases	Jan 2015	1 Jul 2015
AASB 123	Borrowing Costs	Jan 2015	1 Jul 2015
AASB 127	Separate Financial Statements	Jan 2015	1 Jul 2015
AASB 1004	Contributions	Jan 2015	1 Jul 2015
AASB 1054	Australian Additional Disclosures	Jan 2015	1 Jul 2015
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	Sep 2012	1 Jan 2018
AASB 2014-1 (Part D)	Amendments to Australian Accounting Standards	Jun 2014	1 Jan 2016
AASB 2014-1 (Part E)	Amendments to Australian Accounting Standards	Jun 2014	1 Jan 2018
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	Aug 2014	1 Jan 2016
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	Dec 2014	1 Jan 2017
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	Dec 2014	1 Jan 2018

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

Note 2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised accounting standards (continued)

AASB/ Amendment	Title	Issue Date	Application Date
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)	Dec 2014	1 Jan 2015
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	Jan 2015	1 Jan 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	Jan 2015	1 Jan 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	Jan 2015	1 Jul 2015
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	Mar 2015	1 Jul 2016
AASB 2013-9 (Part C)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Dec 2013	1 Jan 2015

The impact of these standards and interpretations on the Financial Statements is not expected to be significant, apart from AASB2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-profit public sector entities. With the adoption of AASB2015-6, additional disclosures will be required for Related Party Disclosures.

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, and commodity swap contracts).

(i) Recognition

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

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

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

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

(ii) Measurement

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

After initial recognition, receivables and payables are carried in the Statement of Financial Position at amortised cost, which is a reasonable approximation of their fair value. Their fair value at year end is disclosed in Note 15.

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

Note 2 Summary of significant accounting policies (continued)

2.4 Taxes

(i) Income tax equivalents

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

(ii) Goods and Services tax

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

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

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

Accounting treatment – operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases.

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

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

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

2.6 Income

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

(i) Passenger revenue

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

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

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

Note 2 Summary of significant accounting policies (continued)

2.6 Income (continued)

(ii) Government contributions

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

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

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 NSW Trains' sources of funding.

(iii) 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.

(iv) 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 measureable.

2.7 Change in classification

During the current year NSW Trains modified the Statement of Comprehensive Income classification of Government subsidies and Government concessions, these were merged into one item Government subsidies and concessions as suggested by NSW Treasury. The comparative amount of \$541,278k in the Statement of Comprehensive Income were merged for consistency. Payroll costs and other employee benefits was split to present Personnel services expenses separately, the comparative amount of \$16,747k was also restated on this basis.

NSW Trains also modified the Statement of Cash Flows classification of Payment to suppliers, employees and others. This was split into Payment to employees and Payment to suppliers and others to provide additional information for readers. The comparative amount of \$201,214k was split into Payment to employees for consistency.

2.8 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.

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

Note 2 Summary of significant accounting policies (continued)

2.9 Trade and other receivables

Trade receivables are measured initially at fair value and subsequently at invoiced cost less an allowance for impairment where necessary, 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 right to future cash inflows from it expire or are transferred or received.

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

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

2.10 Asset maintenance

RailCorp owns the rail stations, majority of property, certain rolling stock and rail network and provides NSW Trains with access rights to these assets at no charge. Sydney Trains is responsible for the maintenance of the rail assets. Sydney Trains charges NSW Trains for the maintenance of rolling stock, infrastructure and stations utilised by NSW Trains, and recovers associated costs.

2.11 Plant and equipment

(i) Recognition

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

A component is accounted for separately if it (a) has a useful life materially different from that of the prime asset and therefore requires separate replacement during the life of the prime asset, (b) is material enough to justify separate tracking, and (c) is capable of having a reliable value attributed to it.

Expenditure on the acquisition, replacement or enhancement of plant and equipment is capitalised, provided it exceeds the capitalisation threshold.

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

Note 2 Summary of significant accounting policies (continued)

2.11 Plant and equipment (continued)

(i) Recognition (continued)

The capitalisation threshold for a network of plant and equipment items or for an individual (non-networked) item is \$5,000.

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

(ii) Measurement

An item of 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 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 or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Replacement cost is the written-down cost of an optimised modern equivalent asset. Non-specialised assets with short useful lives are measured at depreciated historical cost as a proxy for fair value, this applies to all assets of NSW Trains.

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.

(iii) Depreciation

Each item of plant and equipment is depreciated on a straight-line basis over its estimated useful life commencing when the item is available for use.

Each part of an item of plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

	<u>Years</u>
Plant and machinery	5 – 20

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.

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

Note 2 Summary of significant accounting policies (continued)

2.11 Plant and equipment (continued)

(iv) Derecognition

An item of 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 plant and equipment, any gain or loss or any related compensation receivable is recognised in the Statement of Comprehensive Income.

2.12 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 NSW Trains, is expected at acquisition to be used for more than 1 year, and has a cost or value that (a) can be measured reliably, (b) exceeds the capitalisation threshold of \$5,000 and (c) has not previously been expensed.

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

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

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

(ii) Measurement

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

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

(iii) Amortisation

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

In determining the 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 2 and 5 years.

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

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

Note 2 Summary of significant accounting policies (continued)

2.12 Intangible assets (continued)

(iii) Amortisation (continued)

The amortisation charge for each year is recognised in the Statement of Comprehensive Income as a 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.

2.13 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.

2.14 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, 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 expenditure expected to be required to settle the obligation and using a discount rate that reflects current market assessments of the time value 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.

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

Note 2 Summary of significant accounting policies (continued)

2.14 Provisions (continued)

(ii) Employee benefits

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.

Short – term obligations

Liabilities for short-term employee benefits including wages and salaries and non-monetary 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. Non-accumulating sick leave is recognised when the leave is taken and measured at the rates payable.

Other long – term obligations

The liability for other long-term employee benefits such as annual leave and long service leave is recognised in current provisions regardless of the expected timing of settlements, if there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, otherwise it would be classified as a non-current liability. 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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

All employees of NSW Trains are entitled to benefits on retirement, disability or death, from the superannuation plans contributed to by NSW Trains. The plans include both defined benefit plans and defined contribution plans. The defined benefit plans provide defined lump sum benefits based on years of service and final average salary. The defined contribution plans receive fixed contributions from NSW Trains and its legal or constructive obligation is limited to these contributions.

A liability or asset in respect of a defined benefit superannuation plan is recognised in the Statement of Financial Position, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in Other Comprehensive Income. They are included in retained earnings in the Statement of Changes in Equity and in the Statement of Financial Position.

Past service cost are recognised in the Statement of Comprehensive Income immediately.

Contributions to the defined contribution plans are recognised as an expense as they become payable.

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

Note 2 Summary of significant accounting policies (continued)

2.14 Provisions (continued)

(ii) Employee benefits (continued)

Termination Benefits

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. NSW Trains recognises termination benefits either when it can no longer withdraw the offer of those benefits or when it has recognised costs for restructuring within the scope of AASB 137 that involves the payment of termination benefits, or when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits not expected to be settled wholly before 12 months after the end of the reporting period are discounted to present value.

2.15 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 Ministerial and Secretarial Orders 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.

2.16 Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying NSW Trains accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

(i) Judgements

Note 12 - Expenditure commitments: whether an arrangement contains a lease.

(ii) Assumptions and estimation of uncertainties

Note 10.2 - Measurement of defined benefit obligations: key actuarial assumptions

Note 10.3 - Measurement of long service leave obligations: key actuarial assumptions

Note 10.5 - Measurement of workers compensation obligations: key actuarial assumptions.

2.17 Personnel service

Personnel service expenses include salaries and wages, and related costs for contract staff employed by Transport Service of New South Wales and other agencies within the Department of Transport Group. NSW Trains recognises the expenses when incurred. Refer Note 4.3.

2.18 Inter entity advance

The inter entity advance is short term in nature, provided by RailCorp and interest free. It is measured at fair value and derecognised when the obligation expires or is discharged, cancelled or substituted.

2.19 Comparative amounts

The comparative numbers are for the period from 7 December 2012 to 30 June 2014. The entity commenced trading on 1 July 2013.

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

Note 3 Income

3.1 Non passenger revenue

	1 July 2014 - 30 June 2015 \$'000	7 December 2012 - 30 June 2014 \$'000
Labour cost recovery for assigned staff	6,647	373
Cost recovery for services performed	10,758	12,058
Resources free of charge*	316	-
Catering revenue	7,062	6,995
Recoveries for interstate services	12,427	9,087
Other revenue	997	1,778
Total non-passenger revenue	38,207	30,291

* Employee related expenses assumed by the Crown for senior service personnel.

3.2 Contributions for capital expenditure

	1 July 2014 - 30 June 2015 \$'000	7 December 2012 - 30 June 2014 \$'000
NSW Government capital grant	2,225	3,200
Total capital contributions	2,225	3,200

Note 4 Expenses

4.1 Payroll costs and other employee benefits

Employee related expenses include the following items:

	1 July 2014 - 30 June 2015 \$'000	7 December 2012 - 30 June 2014 \$'000
Salaries and wages	171,595	154,484
Annual leave	17,180	16,781
Long service leave	9,111	8,732
Superannuation - defined benefits plan	7,893	5,105
Superannuation - defined contribution plan	10,007	9,379
Workers' compensation	4,442	4,111
Payroll tax and fringe benefit tax	10,465	9,981
Redundancy	205	446
Other payroll costs	3,422	3,163
Total payroll costs and other employee benefits	234,320	212,182

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

Note 4 Expenses (continued)

4.2 Defined benefit superannuation expense

		1 July 2014 - 30 June 2015	7 December 2012 - 30 June 2014
	Note	\$'000	\$'000
Current service cost		4,676	3,842
Net interest		3,217	1,263
Total defined benefit superannuation expense	10.2.5	7,893	5,105

4.3 Personnel service expenses

		1 July 2014 - 30 June 2015	7 December 2012 - 30 June 2014
	Note	\$'000	\$'000
Salaries and wages		9,218	12,590
Annual leave		878	1,310
Long service leave		305	659
Superannuation - defined benefits plan		26	107
Superannuation - defined contribution plan		826	1,193
Workers' compensation		13	23
Payroll tax and fringe benefit tax		652	865
Total personnel service expenses		11,918	16,747

4.4 Other operating expenses

		1 July 2014 - 30 June 2015	7 December 2012 - 30 June 2014
	Note	\$'000	\$'000
Subcontractors		11,292	5,681
Materials		6,471	6,533
Operating lease non-contingent rents (including rail access fees)		38,499	37,427
Insurance costs		521	568
Computer expenses		1,722	1,321
Corporate and shared services costs from TfNSW		13,168	12,405
Travelling expenses		2,981	2,487
Advertising and marketing		1,492	689
Printing and Stationary		935	669
Audit fees - audit of financial statements		150	200
Recovery of trade receivables		(30)	(9)
Services costs from Rail entities	4.5	450,536	440,266
Other		12,248	6,678
Total operating expenses		539,985	514,915

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

Note 4 Expenses (continued)

4.5 Services costs from Rail entities

	1 July 2014 - 30 June 2015 \$'000	7 December 2012 - 30 June 2014 \$'000
Asset maintenance	392,637	375,929
Customer service	20,876	30,543
Operations	23,867	21,423
Other	13,156	12,371
Total services costs from Rail entities	450,536	440,266

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	30 June 2015 \$'000	30 June 2014 \$'000
Cash at bank	112,875	33,621
Cash on hand and in transit	100	187
Total cash and cash equivalents	112,975	33,808

5.2 Reconciliation of net deficit for the period with net cash from operating activities

	30 June 2015 \$'000	30 June 2014 \$'000
Deficit for the period	(102,211)	(67,653)
Capital grants	(2,225)	(3,200)
Depreciation and amortisation	596	643
Recovery of trade receivables	(30)	(9)
Write off of assets	1,026	-
Net movements in assets and liabilities applicable to operating activities:		
(Increase)/ decrease in trade and other receivables	919	(11,038)
Increase in trade and other payables and provisions	9,457	82,106
Net cash flows from (used in) operating activities	(92,468)	849

5.3 Non-cash investing activities

During 2014-15 RailCorp, due to continued restructure, transferred assets and liabilities to NSW Trains by way of equity transfers. The net transfer represents a non-cash increase of \$350m (2013-14: decrease of \$120m) in Net Assets. Refer Note 11.2 for details.

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

Note 5 Cash and cash equivalents (continued)

5.4 Credit standby arrangements and loan facilities

The credit standby arrangement and unused amounts available are:

	30 June 2015 Credit Facilities \$'000	30 June 2015 Unused \$'000
Tape negotiation authority	30,000	30,000
Purchasing card facility	10,000	7,730
Bank guarantee	11	-
Come and Go facility	30,000	30,000
Total credit standby arrangements and loan facilities	70,011	67,730

	30 June 2014 Credit Facilities \$'000	30 June 2014 Unused \$'000
Tape negotiation authority	30,000	30,000
Purchasing card facility	10,000	7,715
Bank guarantee	11	-
Total credit standby arrangements and loan facilities	40,011	37,715

Note 6 Trade and other receivables

6.1 Analysis of trade and other receivables

	30 June 2015 \$'000	30 June 2014 \$'000
Current trade and other receivables		
Trade receivables	996	1,110
Inter entity receivables	189,472	11,274
Other receivables	13,509	12,324
Less: allowance for impairment	(40)	(74)
	203,937	24,634
Prepayments	-	353
Total current trade and other receivables	203,937	24,987

Movements in the allowance for impairment were as follows:

	30 June 2015 \$'000	30 June 2014 \$'000
Balance at beginning of period	74	-
Transfer in	-	84
Recovery recognised in Statement of Comprehensive Income	(30)	(9)
GST Movement	(4)	(1)
Balance at end of period	40	74

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

Note 6 Trade and other receivables (continued)

6.2 Impaired trade and other receivables

As at 30 June 2015, current trade and other receivables with a nominal value of \$40k (2014: \$74k) were impaired. The ageing of the impaired trade and other receivables is as follows:

	30 June 2015	30 June 2014
	\$'000	\$'000
1-3 months	22	12
3 to 6 months	12	35
Over 6 months	6	27
Balance at the end of period	40	74

6.3 Past due but not impaired receivables

As at 30 June 2015, trade receivables of \$497k (2014: \$243k) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	30 June 2015	30 June 2014
	\$'000	\$'000
1 to 3 months	497	214
3 to 6 months	-	26
Over 6 months	-	3
Balance at end of period	497	243

6.4 Nature and extent of risk arising from receivables

Information about NSW Trains' exposure to credit risk in relation to trade and other receivables is provided in Note 14.4.

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

Note 7 Plant and equipment

7.1 Classes

	30 June 2015	30 June 2014
	\$'000	\$'000
Plant and Machinery		
Gross carrying amount	2,002	1,423
Less accumulated depreciation	1,448	946
Total plant and machinery	554	477
Capital works in progress		
Other works in progress	2,779	199
Total capital works in progress	2,779	199
Total plant and equipment	3,333	676

Note 7 Plant and equipment (continued)

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

7.2 Asset class movement

	Plant and equipment \$'000	Capital work in progress \$'000	Total \$'000
Year ended 30 June 2015			
Gross carrying amount			
Balance at 1 July 2014	1,423	199	1,622
Additions	-	2,648	2,648
Transfers	68	(68)	-
Transfers from Sydney Trains	511	-	511
Balance at 30 June 2015	2,002	2,779	4,781
Accumulated depreciation			
Balance at 1 July 2014	(946)	-	(946)
Depreciation for the period	(207)	-	(207)
Transfers from Sydney Trains	(295)	-	(295)
Balance at 30 June 2015	(1,448)	-	(1,448)
Net carrying amount			
At 1 July 2014	477	199	676
At 30 June 2015	554	2,779	3,333
Period ended 30 June 2014			
Gross Carrying amount			
Balance at 7 December 2012	-	-	-
Additions	-	199	199
Transfers from RailCorp	1,423	-	1,423
Balance at 30 June 2014	1,423	199	1,622
Accumulated depreciation			
Balance at 7 December 2012	-	-	-
Depreciation for the period	(205)	-	(205)
Transfers from RailCorp	(741)	-	(741)
Balance at 30 June 2014	(946)	-	(946)
Net carrying amount			
At 7 December 2012	-	-	-
At 30 June 2014	477	199	676

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

Note 8 Intangible assets

8.1 Classes

	30 June 2015 \$'000	30 June 2014 \$'000
Software		
Gross carrying amount	20,007	9,001
Less accumulated amortisation	(17,292)	(8,383)
Net carrying amount of software	2,715	618
Software work in progress	1,604	719
Total intangible assets	4,319	1,337

8.2 Asset class movement

	Software \$'000	Software work in progress \$'000	Total \$'000
Year ended 30 June 2015			
Gross carrying amount			
Balance at 1 July 2014	9,001	719	9,720
Additions	-	1,379	1,379
Write-offs	-	(1,026)	(1,026)
Transfers	494	(494)	-
Transfers from Sydney Trains	10,512	1,026	11,538
Balance at 30 June 2015	20,007	1,604	21,611
Accumulated amortisation			
Balance at 1 July 2014	(8,383)	-	(8,383)
Amortisation for the period	(389)	-	(389)
Transfers from Sydney Trains	(8,520)	-	(8,520)
Balance at 30 June 2015	(17,292)	-	(17,292)
Net carrying amount			
At 1 July 2014	618	719	1,337
At 30 June 2015	2,715	1,604	4,319

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

Note 8 Intangible assets (continued)

8.2 Asset class movement (continued)

	Software \$'000	Software work in progress \$'000	Total \$'000
Period ended 30 June 2014			
Gross carrying amount			
Balance at 7 December 2012	-	-	-
Additions	-	376	376
Transfers from RailCorp	9,001	343	9,344
Balance at 30 June 2014	9,001	719	9,720
Accumulated amortisation			
Balance at 7 December 2012	-	-	-
Amortisation for the period	(438)	-	(438)
Transfers from RailCorp	(7,945)	-	(7,945)
Balance at 30 June 2014	(8,383)	-	(8,383)
Net carrying amount			
At 7 December 2012	-	-	-
At 30 June 2014	618	719	1,337

Note 9 Trade and other payables

9.1 Current trade and other payables

	30 June 2015 \$'000	30 June 2014 \$'000
Current payables		
Trade payables	4,048	3,079
Inter entity payables	48,631	56,887
Accrued salaries and wages	7,523	8,211
Other payables and accruals	11,520	8,783
Deferred revenue	2,311	2,952
Total current trade and other payables	74,033	79,912

9.2 Fair value

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

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

Note 10 Provisions

10.1 Provisions

	Note	30 June 2015 \$'000	30 June 2014 \$'000
Current provisions			
Annual leave (see note (a) below)		24,546	22,200
Long service leave (see note (a) below)	10.3	47,577	42,014
Pay in lieu of certain holidays worked (see note (a) below)		5,933	4,734
Total current employee benefits		78,056	68,948
Worker's compensation	10.5	1,198	745
Total current provisions		79,254	69,693
Non-current provisions			
Superannuation	10.2	79,662	90,617
Long service leave (see note (a) below)	10.3	3,271	2,073
Total non-current employee benefits		82,933	92,690
Worker's compensation	10.5	4,439	2,338
Total non-current provisions		87,372	95,028
Total provisions			
Superannuation	10.2	79,662	90,617
Annual leave		24,546	22,200
Long service leave	10.3	50,848	44,087
Pay in lieu of certain holidays worked		5,933	4,734
Total employee benefits		160,989	161,638
Worker's compensation	10.5	5,637	3,083
Total provisions		166,626	164,721

(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 NSW Trains does not have an unconditional right to defer settlement. Only conditional long service leave is shown as a non-current liability. However, on the basis of past payment experience, leave is expected to be settled in the following pattern:

	Within 12 months \$'000	Later than 12 months \$'000	Total \$'000
30 June 2015			
Long service leave	6,025	44,823	50,848
Annual leave	15,423	9,123	24,546
Pay in lieu of certain holidays worked	5,933	-	5,933
	27,381	53,946	81,327
30 June 2014			
Long service leave	4,815	39,272	44,087
Annual leave	13,516	8,684	22,200
Pay in lieu of certain holidays worked	4,734	-	4,734
	23,065	47,956	71,021

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

Note 10 Provisions (continued)

10.2 Superannuation

10.2.1 Overview

Nature of the benefits

There are three 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.

Regulatory framework

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012. The next actuarial investigation is due as at 30 June 2015 and the report is expected to be released by the end of 2015.

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.1 Overview (continued)

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.

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.

Significant events

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

Financial impacts

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.

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.1 Overview (continued)

Financial impacts (continued)

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

	SASS 30 June 2015 \$'000	SANCSS 30 June 2015 \$'000	SSS 30 June 2015 \$'000	Total 30 June 2015 \$'000
Accrued liability*	327,356	33,795	801	361,952
Estimated reserve account balance	(254,319)	(27,403)	(568)	(282,290)
Net liability	73,037	6,392	233	79,622
Future service liability**	12,031	11,081	195	23,307
Surplus in excess of recovery available from schemes	-	-	-	-
Net liability recognised in statement of financial position	73,037	6,392	233	79,622

	SASS 30 June 2014 \$'000	SANCSS 30 June 2014 \$'000	SSS 30 June 2014 \$'000	Total 30 June 2014 \$'000
Accrued liability*	312,170	30,247	763	343,180
Estimated reserve account balance	(228,375)	(23,681)	(507)	(252,563)
Net liability	83,795	6,566	256	90,617
Future service liability**	13,660	12,595	221	26,476
Surplus in excess of recovery available from schemes	-	-	-	-
Net liability recognised in statement of financial position	83,795	6,566	256	90,617

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

** 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).

30 June 2015	SASS	SANCSS	SSS
Member numbers			
Contributors	580	581	1
Pensioners	8	-	-
30 June 2014	SASS	SANCSS	SSS
Member numbers			
Contributors	589	590	1
Pensioners	3	-	-

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.2 Reconciliation of the present value of the defined benefit obligation

	SASS 30 June 2015 \$'000	SANCSS 30 June 2015 \$'000	SSS 30 June 2015 \$'000	Total 30 June 2015 \$'000
Present value of defined benefit obligations at beginning of the year	312,170	30,247	763	343,180
Bulk transfer in upon administrative restructure at 31 July 2014 from RailCorp	3,986	464	-	4,450
Current service cost	3,328	1,317	31	4,676
Interest cost	11,142	1,082	27	12,251
Contributions by participants	2,295	-	6	2,301
Actuarial (gains)/losses arising from changes in demographic assumptions	2,187	230	(116)	2,301
Actuarial losses arising from changes in financial assumptions	13,664	1,304	101	15,069
Actuarial gains arising from liability experience	(14,970)	(488)	(7)	(15,465)
Benefits paid	(12,484)	(1,593)	(1)	(14,078)
Taxes, premiums and expenses paid	101	598	(3)	696
Transfers in/out due to business combinations and disposals	5,937	634	-	6,571
Present value of partly funded defined benefit obligation at the end of the year	327,356	33,795	801	361,952

	SASS 30 June 2014 \$'000	SANCSS 30 June 2014 \$'000	SSS 30 June 2014 \$'000	Total 30 June 2014 \$'000
Present value of defined benefit obligations at beginning of the period	-	-	-	-
Transfer in from RailCorp vesting	261,056	26,847	-	287,903
Current service cost	2,728	1,104	10	3,842
Interest cost	8,788	919	4	9,711
Contributions by participants	2,383	-	-	2,383
Actuarial losses arising from changes in financial assumptions	16,304	2,505	84	18,893
Actuarial (gains) / losses arising from liability experience	27,490	(1,258)	203	26,435
Transfers in / (Benefits paid)	(6,408)	(415)	463	(6,360)
Taxes, premiums and expenses paid	(171)	545	(1)	373
Present value of partly funded defined benefit obligation at the end of the period	312,170	30,247	763	343,180

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.3 Reconciliation of the fair value of fund assets

	SASS 30 June 2015 \$'000	SANCSS 30 June 2015 \$'000	SSS 30 June 2015 \$'000	Total 30 June 2015 \$'000
Fair value of fund assets at the beginning of the year	228,375	23,681	507	252,563
Bulk transfer in upon administrative restructure at 31 July from RailCorp	2,975	340	-	3,315
Interest income	8,151	863	18	9,032
Actual return on Fund assets less Interest income	17,671	1,872	41	19,584
Employer contributions	-	-	-	-
Contributions by participants	2,295	-	6	2,301
Benefits paid	(12,484)	(1,593)	(1)	(14,078)
Taxes, premiums and expenses paid	101	598	(3)	696
Transfers in/out due to business combinations and disposals	7,235	1,642	-	8,877
Fair value of fund assets at the end of the year	254,319	27,403	568	282,290

	SASS 30 June 2014 \$'000	SANCSS 30 June 2014 \$'000	SSS 30 June 2014 \$'000	Total 30 June 2014 \$'000
Fair value of fund assets at the beginning of the period	-	-	-	-
Transfer in from RailCorp vesting	207,234	21,540	-	228,774
Interest Income	7,651	794	3	8,448
Actual return on fund assets less Interest income	17,686	1,217	42	18,945
Contributions by participants	2,383	-	-	2,383
Transfers in / (Benefits paid)	(6,408)	(415)	463	(6,360)
Taxes, premiums and expenses paid	(171)	545	(1)	373
Fair value of fund assets at the end of the period	228,375	23,681	507	252,563

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.4 Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	SASS 30 June 2015 \$'000	SANCSS 30 June 2015 \$'000	SSS 30 June 2015 \$'000	Total 30 June 2015 \$'000
Present value of partly funded defined benefits at the end of the year	327,356	33,795	801	361,952
Fair value of fund assets at end of the year	(254,319)	(27,403)	(568)	(282,290)
Net liability recognised in statement of financial position at the end of the year	73,037	6,392	233	79,662

	SASS 30 June 2014 \$'000	SANCSS 30 June 2014 \$'000	SSS 30 June 2014 \$'000	Total 30 June 2014 \$'000
Present value of partly funded defined benefits at the end of the period	312,170	30,247	763	343,180
Fair value of fund assets at end of the period	(228,375)	(23,681)	(507)	(252,563)
Net liability recognised in statement of financial position at the end of the period	83,795	6,566	256	90,617

10.2.5 Expense recognised in the Statement of Comprehensive Income

	SASS 30 June 2015 \$'000	SANCSS 30 June 2015 \$'000	SSS 30 June 2015 \$'000	Total 30 June 2015 \$'000
Components recognised as expense				
Current service cost	3,328	1,317	31	4,676
Net interest	2,990	218	9	3,217
Expense recognised	6,318	1,535	40	7,893

	SASS 30 June 2014 \$'000	SANCSS 30 June 2014 \$'000	SSS 30 June 2014 \$'000	Total 30 June 2014 \$'000
Components recognised as expense				
Current service cost	2,728	1,104	10	3,842
Net interest	1,137	125	1	1,263
Expense recognised	3,865	1,229	11	5,105

Impact of RailCorp Restructure at 31 July 2014

	SASS 30 June 2014 \$'000	SANCSS 30 June 2014 \$'000	SSS 30 June 2014 \$'000	Total 30 June 2014 \$'000
Net Defined Benefit Liability transferred from RailCorp upon administrative restructure at 31 July 2014	1,010	124	0	1,134

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.6 Amounts recognised in Other Comprehensive Income

	SASS 30 June 2015 \$'000	SANCSS 30 June 2015 \$'000	SSS 30 June 2015 \$'000	Total 30 June 2015 \$'000
Actuarial (gains)/losses on liabilities	880	1,047	(22)	1,905
Actual return on fund assets less Interest income	(17,671)	(1,872)	(41)	(19,584)
Effects of transfers in/out due to business combinations	(1,296)	(1,007)	-	(2,303)
Total Remeasurements	(18,087)	(1,832)	(63)	(19,982)

	SASS 30 June 2014 \$'000	SANCSS 30 June 2014 \$'000	SSS 30 June 2014 \$'000	Total 30 June 2014 \$'000
Actuarial losses on liabilities	43,794	1,247	287	45,328
Actual return on fund assets less Interest income	(17,686)	(1,217)	(42)	(18,945)
Total Remeasurements	26,108	30	245	26,383

10.2.7 Fund assets

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

	30 June 2015 %	30 June 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
Alternative	17.7	16.7
Total	100.0	100.0

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.8 Fair value of Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers and assets are not separately invested for each entity. As such, the disclosures below relate to total assets of the Pooled Fund.

Asset Category	Total \$'000	Quoted prices in active markets	Significant observable inputs	Unobservable inputs
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
30 June 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

Asset Category	Total \$'000	Quoted prices in active markets	Significant observable inputs	Unobservable inputs
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
30 June 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
	37,992,659	22,710,283	12,726,157	2,556,219

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

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

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

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

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

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.9 Valuation method and principal actuarial assumptions at the Statement of Financial Position date

a) Valuation method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic assumptions

	30 June 2015
Discount rate	3.03% 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 2.50% 2015/2016; 2.75% 2016/2017 & 2017/2018; 2.50% pa thereafter
Rate of CPI increase	2.50% pa thereafter
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 pensioner mortality rates for each age.

	30 June 2014
Discount rate	3.57% pa
Salary increase rate (excluding promotional increases)	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% thereafter
Rate of CPI increase	2.5% pa

c) Demographic assumptions

The demographic assumptions at 30 June 2015 are those that were used in the 2012 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

10.2.10 Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets includes, as at 30 June 2015, \$209.2 million (2014: \$173.9 million) in NSW Government bonds.

Of the direct properties owned by the Pooled Fund:

- GPNSW occupies part of a property owned by the Pooled Fund with a fair value of \$159 million (30 June 2014: \$153 million).
- NSW Ambulance occupies part of a property 50% owned by the Pooled Fund with a fair value of \$204 million (30 June 2014: \$205 million).

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.11 Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2015 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2015.

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

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
30 June 2015			
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)	361,952	396,637	333,714
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
30 June 2015			
Discount rate	as above	as above above rates plus 0.5%	as above above rates less 0.5%
Rate of CPI increase	as above	pa	pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	361,952	368,182	356,312
	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
30 June 2015			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above above rates plus	as above above rates less 0.5%
Salary inflation rate	as above	0.5% pa	pa
Defined benefit obligation (\$'000)	361,952	371,282	353,066
	Base case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
30 June 2015			
Defined benefit obligation (\$'000)	361,952	360,974	362,986

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.11 Sensitivity analysis (continued)

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
30 June 2014			
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)	343,180	378,827	314,121
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
30 June 2014			
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)	343,180	348,639	338,226
	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
30 June 2014			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5%	above rates less 0.5%
Salary inflation rate	as above	pa	pa
Defined benefit obligation (\$'000)	343,180	353,828	333,081
	Base case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
30 June 2014			
Defined benefit obligation (\$'000)	343,180	342,345	344,061

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

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.12 Funding arrangements for employer contributions

a) Surplus / deficit

The following is a summary of the 30 June 2015 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

	SASS 30 June 2015 \$'000	SANCSS 30 June 2015 \$'000	SSS 30 June 2015 \$'000	Total 30 June 2015 \$'000
Accrued benefits	242,642	24,940	324	267,906
Net market value of fund assets	(254,319)	(27,403)	(568)	(282,290)
Net surplus	(11,677)	(2,463)	(244)	(14,384)

	SASS 30 June 2014 \$'000	SANCSS 30 June 2014 \$'000	SSS 30 June 2014 \$'000	Total 30 June 2014 \$'000
Accrued benefits	223,845	22,752	291	246,888
Net market value of fund assets	(228,375)	(23,682)	(507)	(252,564)
Net surplus	(4,530)	(930)	(216)	(5,676)

b) Contribution recommendations

	SASS 30 June 2015 multiple of member contributions	SANCSS 30 June 2015 % member salary	SSS 30 June 2015 multiple of member contributions
Recommended contribution rates for the entity	N/A	N/A	N/A

	SASS 30 June 2014 multiple of member contributions	SANCSS 30 June 2014 % member salary	SSS 30 June 2014 multiple of member contributions
Recommended contribution rates for the entity	-	-	-

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.12 Funding arrangements for employer contributions (continued)

c) Economic assumptions

The economic assumptions adopted for the last actuarial review of the Fund were:

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

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

d) Expected contributions

	SASS	SANCSS	SSS	Total
	30 June 2015	30 June 2015	30 June 2015	30 June 2015
	\$'000	\$'000	\$'000	\$'000
Expected employer contributions to be paid for 2016	-	3,000	-	3,000

	SASS	SANCSS	SSS	Total
	30 June 2014	30 June 2014	30 June 2014	30 June 2014
	\$'000	\$'000	\$'000	\$'000
Expected employer contributions to be paid for 2015	-	-	-	-

e) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 11.1 years (2014: 12.3 years).

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

Note 10 Provisions (continued)

10.2 Superannuation (continued)

10.2.13 Nature of asset / liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary. Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligations.

10.3 Long service leave

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

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

The liability for long service leave was assessed by a consulting actuary, Mercer Consulting (Australia) Pty Ltd. The actuary assumed a discount rate of 3.0% (2014: 3.5%) per annum and a salary growth rate of 3.1% per annum effective 30 September 2015, 3.2% per annum effective 30 September 2016 and 3.5% per annum thereafter (2014: 2.5% per annum with immediate effect on 1 April 2014 and then 3.5% per annum thereafter).

10.4 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of period \$'000	Increase in provision \$'000	Discounting adjustment \$'000	Subtotal \$'000	Payment of claims \$'000	Carrying amount at end of period \$'000
30 June 2015						
Worker's compensation	3,083	4,156	286	7,525	1,888	5,637
30 June 2014						
Worker's compensation	-	4,284	(173)	4,111	1,028	3,083

10.5 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 NSW Trains is a licensed self-insurer.

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

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

Note 11 Contributed equity

11.1 Contributed equity

	Note	30 June 2015 \$'000	30 June 2014 \$'000
Contributed equity at start of period		(89,789)	-
Net assets (liabilities) contributed by Government	11.2	349,959	(89,789)
Contributed equity at end of period		260,170	(89,789)

11.2 Net assets (liabilities) contributed by the Government

	30 June 2015 \$'000	30 June 2014 \$'000
Assets transferred		
Cash assets	-	30,183
Trade and other receivables (current)	350,496	13,940
Plant and equipment (net)	216	682
Intangible assets (net)	3,018	1,399
Total assets transferred	353,730	46,204
Liabilities transferred		
Trade and other payables (current)	-	12,993
Provisions (current)	2,637	61,821
Provisions (non-current)	1,134	61,179
Total liabilities transferred	3,771	135,993
Net assets (liabilities) contributed by the Government	349,959	(89,789)

Refer Note 5.3 for details.

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

Note 12 Expenditure commitments

12.1 Expenditure commitments

	30 June 2015	30 June 2014
	\$'000	\$'000
Operating leases		
Within 12 months	40,465	31,046
12 months or longer but not longer than 5 years	94,811	68,515
Total operating leases	135,276	99,561
Total plant and equipment (including intangible assets)	1,498	317

Other commitments

Sydney Trains and NSW Trains entered a service contract commencing on 1 July 2013, expiring on 30 June 2018. Under this contract, Sydney Trains will provide maintenance, operational, security, cleaning and other services to NSW Trains. The estimate amount for 2015-2016 is \$440.2m (2014-2015: \$443.5m).

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$12.4m (2014: \$9.1m) are expected to be recoverable from the Australian Taxation Office.

12.2 Minimum lease payments committed under non-cancellable operating leases

	30 June 2015	30 June 2014
	\$'000	\$'000
Within 12 months	40,465	31,046
12 months or longer but not longer than 5 years	94,811	68,515
Total committed	135,276	99,561

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of \$12.4m (2014: \$9.1m) are expected to be recoverable from the Australian Taxation Office.

Note 13 Contingent liabilities and contingent assets

13.1 Contingent liabilities

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.

Guarantee

NSW Trains has a bank guarantee of \$11,000 issued by the Westpac Banking Corporation.

Litigation

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

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

Note 13 Contingent liabilities and contingent assets (continued)

13.2 Contingent assets

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 NSW Trains against others in relation to contractual breaches and insurance claims in relation to other matters. The existence or quantum of each claim is usually in dispute.

Note 14 Financial instruments

14.1 Financial instruments

NSW Trains holds the following financial instruments:

	30 June 2015	30 June 2014
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	112,975	33,808
Trade and other receivables*	202,155	23,245
Total financial assets	315,130	57,053
Financial Liabilities		
Trade and other payables**	68,657	74,535
Total financial liabilities	68,657	74,535

* 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*

14.2 Financial risks

The operational activities of NSW Trains expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk). A risk management program focuses on financial performance and seeks to minimise potential adverse effects from financial market price movements. Methods used to measure risk include sensitivity analysis in the case of interest rate, and an ageing analysis for credit risk.

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

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

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

Note 14 Financial instruments (continued)

14.3 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 NSW Trains' interest rate risk.

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

14.3.1 Foreign exchange risk

NSW Trains is not exposed to foreign exchange risk, all significant contractual commercial transactions denominated in local currency.

14.3.2 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. NSW Trains' main interest rate risk relates primarily to cash at bank.

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

	Interest Rate 30 June 2015 %	Principal Amount 30 June 2015 \$'000
30 June 2015		
Financial assets		
Not later than 1 year		
Cash on hand and in transit	-	100
Cash at bank	2.00	112,875
Total financial assets		112,975
<hr/>		
	Interest Rate 30 June 2014 %	Principal Amount 30 June 2014 \$'000
30 June 2014		
Financial assets		
Not later than 1 year		
Cash on hand and in transit	-	187
Cash at bank	3.35	33,621
Total financial assets		33,808

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

Note 14 Financial instruments (continued)

14.3 Market risk (continued)

14.3.2 Interest rate risk (continued)

Interest rate sensitivity analysis

A change of +/- 1 per cent is used, consistent with current trends in interest rates, to measure NSW Trains' financial sensitivity to interest rate movements. NSW Trains' exposure to interest rate risk is set out below.

	Change in yield	Impact on surplus \$'000	Impact on Other Comprehensive Income \$'000
30 June 2015			
Bank deposits	-1%	(1,129)	-
	1%	1,129	-
30 June 2014			
Bank deposits	-1%	(336)	-
	1%	336	-

14.4 Credit risk

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

Credit risk can arise from financial assets of NSW Trains, including cash and cash equivalents, deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

Credit risk associated with NSW Trains' financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards.

NSW Trains held \$112.9m in cash at bank at 30 June 2015 (2014: \$33.6m). This was held with Westpac Banking Corporation.

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.

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

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

Note 14 Financial instruments (continued)

14.5 Liquidity risk

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

Credit standby arrangements are shown at Note 5.4.

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

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

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

	Carrying amount \$'000	Contract Cash flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
30 June 2015					
Financial Assets					
Cash and cash equivalents	112,975	112,975	112,975	-	-
Trade and other receivables	202,155	202,155	202,155	-	-
	315,130	315,130	315,130	-	-
Financial liabilities					
Trade and other payables	68,657	68,657	68,657	-	-
	68,657	68,657	68,657	-	-

	Carrying amount \$'000	Contract Cash flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
30 June 2014					
Financial Assets					
Cash and cash equivalents	33,808	33,808	33,808	-	-
Trade and other receivables	23,245	23,245	23,245	-	-
	57,053	57,053	57,053	-	-
Financial liabilities					
Trade and other payables	74,535	74,535	74,535	-	-
	74,535	74,535	74,535	-	-

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

Note 15 Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

NSW Trains does not own any land or building. The current holding of Plant and Equipment is mainly operational equipment with useful lives of 10 years or less. Management has reviewed and concluded that the written down value of these assets approximate their fair value.

The carrying amounts and aggregate net fair values of financial assets, non-financial assets and financial liabilities at balance date are:

	Carrying Amount \$'000	Fair Value \$'000
30 June 2015		
Financial assets		
Cash and cash equivalents	112,975	112,975
Trade and other receivables	203,937	203,937
Total financial assets	316,912	316,912
Non-financial assets		
Plant and machinery	554	554
Total non-financial assets	554	554
Financial liabilities		
Trade and other payables	74,033	74,033
Total financial liabilities	74,033	74,033
30 June 2014		
Financial assets		
Cash and cash equivalents	33,808	33,808
Trade and other receivables	24,987	24,987
Total financial assets	58,795	58,795
Non-financial assets		
Plant and machinery	477	477
Total non-financial assets	477	477
Financial liabilities		
Trade and other payables	79,912	79,912
Total financial liabilities	79,912	79,912

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

Note 16 Events occurring after reporting date

A Vesting Order was approved by the Minister to transfer equity by way of payable to NSW Trains from RailCorp in June 2015, and the remaining payable of \$179.8M was subsequently repaid by RailCorp on 22 July 2015 which resulted in an increase in NSW Trains cash.

(End of audited financial statements)



INDEPENDENT AUDITOR'S REPORT

NSW TRAINS

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of NSW Trains, which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of NSW Trains as at 30 June 2015, and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *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 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.

Independent Audit Opinion

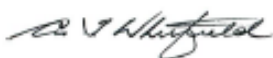
My opinion does *not* provide assurance:

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

Independence

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

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



A T Whitfield PSM
Acting Auditor-General

17 September 2015
SYDNEY

nswtrains.nsw.gov.au

470 Pitt Street Sydney NSW 2000

NSW Trains is a NSW Government agency

Follow us on Twitter

@nswtrainlinknorth

@nswtrainlinksouth

@nswtrainlinkwest

Disclaimer

While all care is taken in producing this work, no responsibility is taken or warranty made with respect to the accuracy of any information, data or representation. The authors (including copyright owners) expressly disclaim all liability in respect of anything done or omitted to be done and the consequences upon reliance of the contents of this information.

© Transport for New South Wales

Users are welcome to copy, reproduce and distribute the information contained in this report for non-commercial purposes only, provided acknowledgement is given to Transport for NSW as the source.

ISSN - 2204-101X

