



Annual Report

Sydney Trains

2017-18 • Volume 1

Sydney Trains

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Sydney NSW 2000

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This Annual Report was
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Letter to Minister

The Hon. Andrew Constance MP
Minister for Transport and Infrastructure
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister,

It is my pleasure to provide the Sydney Trains Annual Report for the financial year 1 July 2017 to 30 June 2018, for your information and presentation to Parliament.

This report has been prepared in accordance with the *Annual Report (Statutory Bodies) Act 1984*, the *Annual Reports (Statutory Bodies) Regulation 2015* and the *Public Finance and Audit Act 1983*.

Yours sincerely



Howard Collins OBE
Chief Executive
Sydney Trains

26 October 2018

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Foreword







Chief Executive's foreword

Last year, we set our sights on becoming a world-class railway for a world-class city. Our goal for 2021 is to be a safe, customer focused, modern, efficient and competitive business and exceed customer expectations while maintaining downward pressure on costs and ensuring the safety of our customers, staff and contractors.

Our patronage continues to grow at an unprecedented rate and our customers expect our organisation to deliver continuous improvement. We are up for the challenge! This year Sydney Trains provided 359.2 million customer journeys, an increase of 81.2 million customer journeys since our inception on 1 July 2013. This equates to nearly 30 per cent growth in passengers in five years. We should all be proud of this achievement.

Over the course of 2017-18, we introduced a major new timetable adding up to 1500 weekly services, including more than 750 services on weekends; renewed our Enterprise Agreement; and implemented the SAP enterprise system.

Our customer satisfaction rate remains steady at 86 per cent but we need to improve our train peak punctuality which ended the year at 91.6 per cent. To address this, we are placing a greater focus on incident response and recovery to limit the number of delays caused by incidents across the network.

We progressed our strategic objectives set out in our Corporate Plan as follows:

Customer satisfaction and accessibility -

Our customer satisfaction remains steady at 86 per cent and significant accessibility improvements were made across our network. We replaced the 80 year old wooden escalators at Wynyard while preserving much of its heritage and upgraded a large number of stations. We continue to expand our real-time customer information channel and provide innovative solutions like real-time Waratah Train seat availability.

Travel - In November, our new timetable was uplifted to meet unprecedented customer growth and provide more options in the off-peak and on weekends. We recruited more than 300 new drivers and guards to meet service needs. Some of the timetable features included a 40 per cent increase in the number of services stopping at Parramatta, to support Sydney's second CBD, as well as a 22 per cent increase at Penrith. There are now more than 200 extra services each week on the T8 Airport and South Line in non-peak times, as well as an extra 13 express trains per week in morning peak hour for Campbelltown and Macarthur customers to the CBD via the T8 Airport Line. Big improvements were made for South West Sydney, with 80 per cent more services stopping at Leppington and Edmondson Park, and 15 per cent more services stopping at Glenfield Station, and 24 new express services between the Sydney CBD and the Blue Mountains were introduced on weekends.

Business – Sydney Trains delivered on implementation of Transport SAP Equip, a cluster-wide integration of Human Resources, payroll, finance, procurement and project management. We also launched our Enterprise Asset Management (EAM) function with all initiatives, increasing both functionality and efficiency to achieve ‘one cluster; one system’.

Our net operating income performance was favourable to budget. We are committed to maintaining downward pressure on costs. In order to create greater efficiency and reduce duplication of the support function of Finance, Human Resources and Safety, a cross-agency, ‘Group Rail’, function has been implemented.

Growth and environment – We believe that our record patronage growth has positive environmental consequences. To enable this growth, we have upgraded rail infrastructure, including better signalling systems, power supply upgrades and train station improvements, which has allowed our complex network to operate at even greater capacity. Furthermore, we continue to reduce the impact from rail noise, improve energy efficiency and reduce carbon emissions.

Safety – Our Customer Injury Frequency Rate (which measures injuries per million customer journeys) continued its steady downward trend. The Operational Safety Index, which measures incidents of potential customer safety risk, also improved. Furthermore, the Lost Time Injury Frequency Rate, our key performance indicator for staff safety, fell dramatically.

Asset – We delivered over \$450 million of projects to modernise the state’s metropolitan rail network and improve reliability of service and completed construction and operationalisation of a purpose-built, activity-based working Hub for Engineering and Maintenance staff at Clyde. The new facility, in Western Sydney, accommodates

1500 staff and provides greatly improved collaboration, increased workplace efficiencies and enables stronger working relationships. During the year, we introduced our new SAP Equipment and Asset Management System and achieved ISO55001 accredited certification, a globally recognised confirmation of our asset management maturity and business practice leadership.

People – During the year, 74 per cent of staff participated in the NSW PMES survey which pleasingly resulted in an improved engagement score. We renewed our Enterprise Agreement which gave our workers and our organisations certainty and continued benefits. The number of women in senior service levels nearly doubled from the previous year and in September 2017, we formed an Aboriginal Employment Unit, strengthening our relationships with Aboriginal communities and increasing awareness about employment pathways.

At Sydney Trains, we take pride in what we have achieved in the 2017-18 financial year. We move confidently forward, on strong foundations of safety, accountability and excellence through collaboration to contribute to the success of transport in NSW.

The outlook is for patronage growth to continue and we will continue our improvement programs to keep Sydney moving. We are determined to become a world-class railway for a world-class city.



Howard Collins OBE
Chief Executive
Sydney Trains

Overview





About Sydney Trains

Our Charter

Sydney Trains is a NSW government agency constituted by the *Transport Administration Act 1988*.

Sydney Trains is the operator/maintainer/deliverer of the greater Sydney metropolitan network and maintainer of the intercity network. It's principal objective is to deliver safe and reliable railway passenger services in an efficient, effective and financially responsible manner.

The other objectives of Sydney Trains are as follows:

- to be a successful business and, to that end:
 - to operate at least as efficiently as any comparable business, and
 - to maximise the net worth of the State's investment in Sydney Trains,
- to exhibit a sense of social responsibility having regard to the interests of the community in which it operates,
- where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6(2) of the Protection of the Environment Administration Act 1991,
- to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.

Our work

Sydney Trains rail services operate across the metropolitan Sydney area bounded by Berowra, Emu Plains, Macarthur and Waterfall.

As well as maintaining trains and a large proportion of the infrastructure used by NSW Trains, Sydney Trains also operates the network-wide Rail Management Centre, providing train control services to all operators on the Sydney metropolitan network, and is responsible for maintenance of over \$34 billion in assets (Sydney Trains and RailCorp), including tracks, trains, signals, overhead wiring, stations and facilities.

Infrastructure maintained by Sydney Trains is also used by third party operators who apply for access to the Sydney Trains' network, and receive routes on which to operate. Over 30,000 freight movements were undertaken throughout the year.

Our vision

Sydney Trains' vision is to keep Sydney Trains moving by delivering safe, customer-focused, reliable and clean rail services. We contribute to the success of transport in NSW by running effective and efficient rail services which exceed our customers' expectations, support growth and contribute to the broader community and economy.

Sydney is experiencing major growth and Sydney Trains continued in 2017-18 to meet the rail transport needs of Sydney's people and businesses. In 2017-18, Sydney Trains carried 359.2 million customers compared to carrying 278 million customers in 2013. In November 2017, Sydney Trains added up to 1500 timetabled services per week. The outlook is for the growth in metropolitan rail journeys to continue, especially as Sydney Trains connects to the Sydney Metro Northwest.

Our goal

Sydney Trains goal is that by financial year 2021, we will be an even safer, customer-focused, efficient and competitive business. We will be recognised as a community astute business, and regarded as a world-class railway in a world-class city.

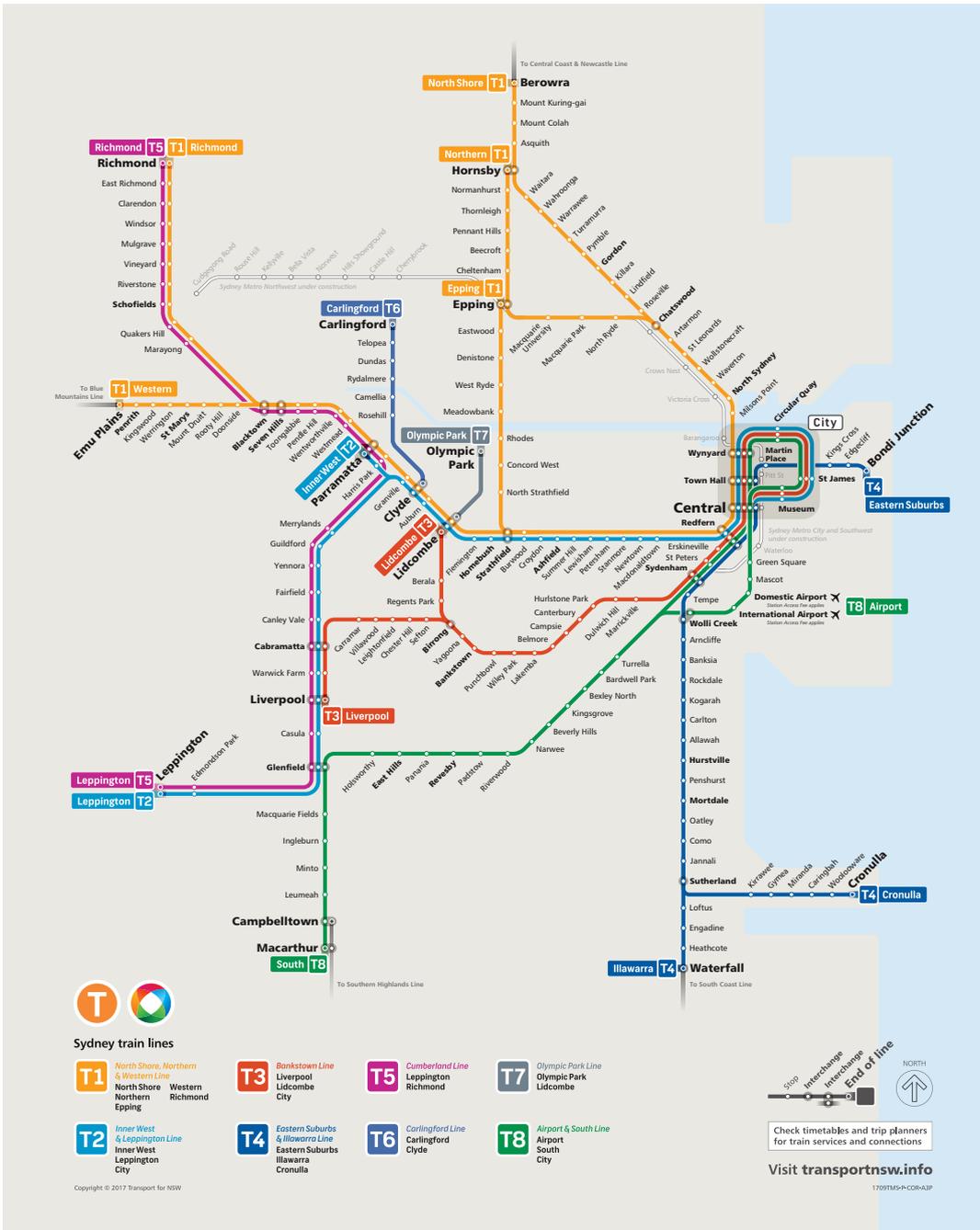
The Sydney Trains Corporate Business Plan 2018/19 to 2020/21 has seven strategic objectives:

- **Customer satisfaction and Accessibility:** continuously improve customer satisfaction with rail transport services and increase accessibility
- **Travel:** trains run on time
- **Business:** improve operational efficiencies across the business
- **Growth and Environment:** grow patronage on public transport and create additional capacity
- **Safety:** create and foster an environment that improves safety
- **Asset:** improve asset performance
- **People:** engaged, aligned and 'fit-for-purpose' workforce.

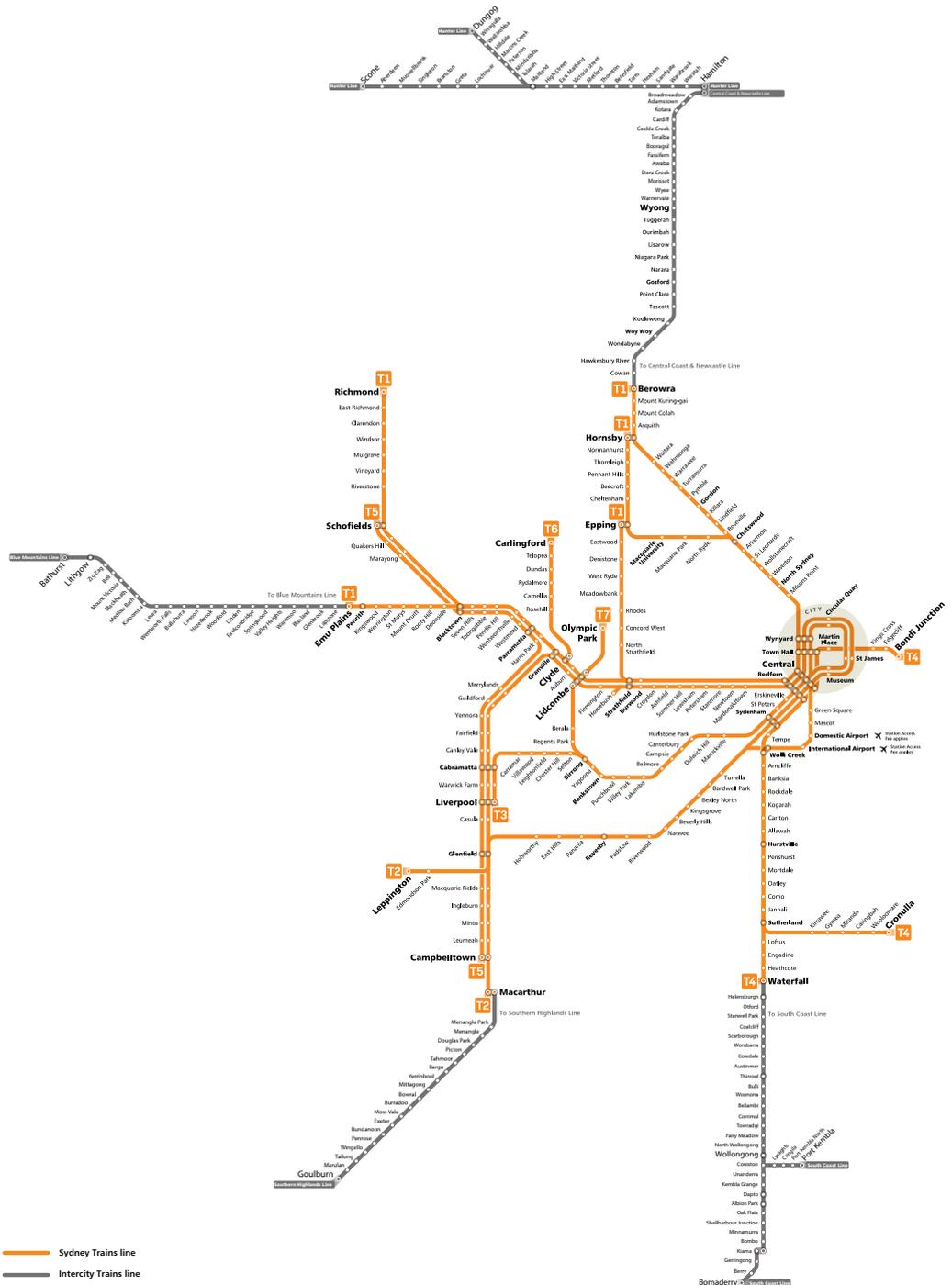
Sydney Trains longer term business plan is supported by a yearly corporate plan.

Sydney Trains is committed to social responsibility and our legislative compliance obligations, including environmental sustainability.

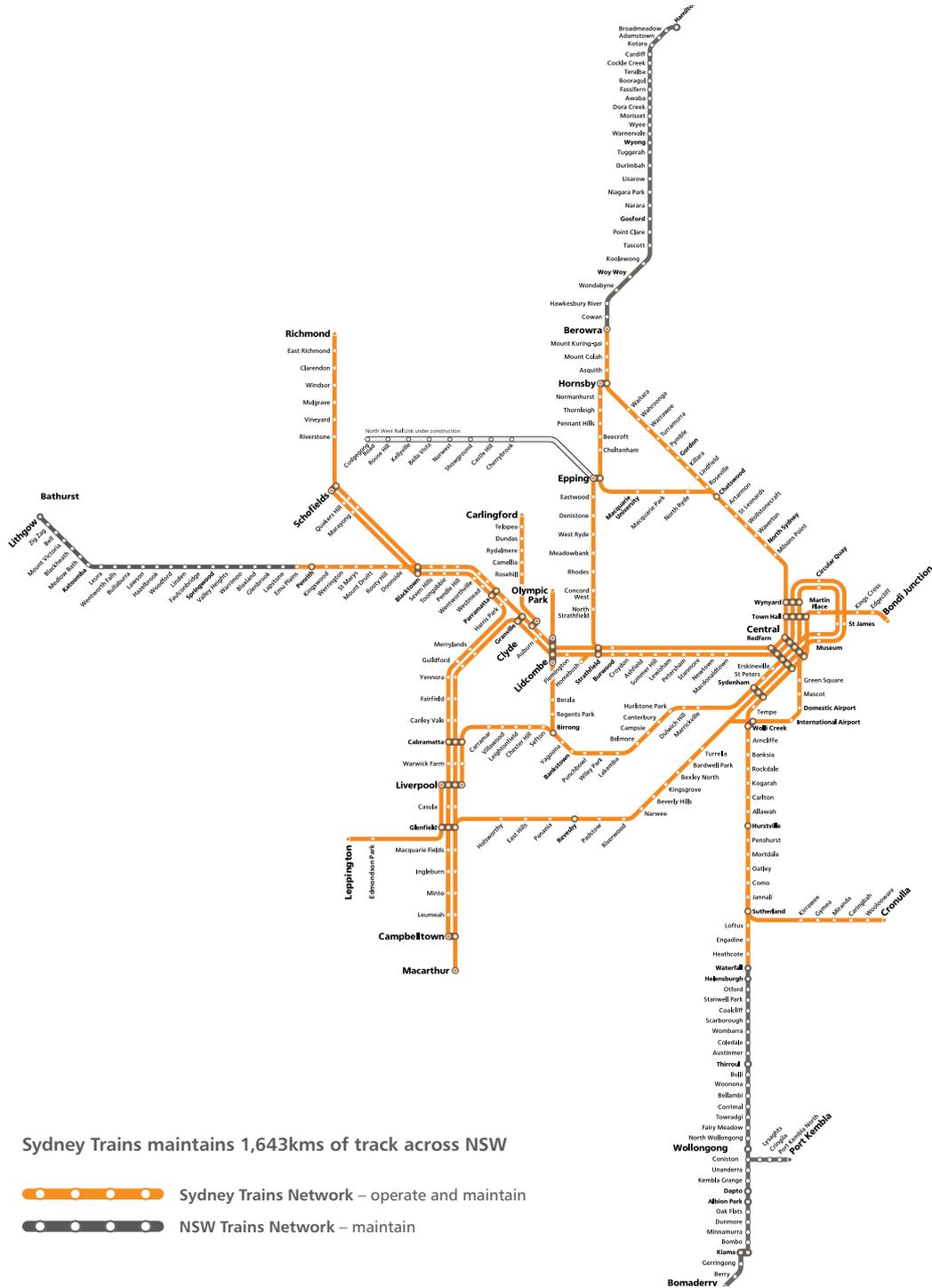
Sydney Trains network



Sydney and Intercity network



Sydney Trains infrastructure



Sydney Trains maintains 1,643kms of track across NSW

- Sydney Trains Network – operate and maintain
- NSW Trains Network – maintain

Strategic alignment with NSW Government

Overview

Sydney Trains is committed to the delivery of the NSW Government's priorities for transport. These have been outlined in the State Priorities and have been further detailed by Transport for NSW in partnership with all peer transport operators.

Transport for NSW is the lead agency for transport within New South Wales and has primary responsibility for coordinating transport policy, funding allocations and planning for all modes of transport.

Transport for NSW's purpose is to make New South Wales a better place to live, do business and visit by managing and shaping the future of the whole transport system.

Sydney Trains' FY2018/2019 - FY2020/21 Corporate Business Plan identifies our key goals and how we plan to achieve these.

State Priorities

The State Priorities are 30 reforms to grow the NSW economy, deliver infrastructure, and improve health, education and other services across NSW.

Through the State Priorities, Sydney Trains has a direct responsibility for contributing towards maintaining or improving reliability of public transport services over the next four years.

Sydney Trains also contributes to the delivery of further State Priorities, including:

- creating 150,000 new jobs by 2019
- key infrastructure projects to be delivered on time
- expenditure growth to be less than revenue growth
- improving customer satisfaction with key government services
- driving public sector diversity.

TfNSW Corporate Plan 2016-2021 ('Connecting NSW')

The TfNSW Corporate Plan sets out the priorities, goals and success indicators for developing the transport system through to 2021.

Three key strategic priorities have been identified for the next five years, addressing the unique challenges faced in developing an integrated and customer-focused transport system including:

1. transforming transport
2. delivering every day
3. leading innovation.

Sydney Trains will contribute to each of the three priorities through our Strategic Objectives.

Future Transport Strategy 2056

The Future Transport Strategy is a 40 year strategy, supported by plans for regional NSW and for Greater Sydney. It is the first transport plan in Australia to harness technology to improve customer and network outcomes, and it starts with a long-term vision for our communities. The Future Transport Strategy 2056 places the customer at the centre of everything we do.

It outlines a vision, strategic directions and customer outcomes, with infrastructure and services plans underpinning the delivery of these directions across the state.

The vision is built on six outcomes:

- customer-focused services
- successful places
- growing the economy
- safety and performance
- accessible services
- sustainability.

Sydney Trains Corporate Plans

In addition to the longer term 2018-19 to 2020-21 Corporate Business Plan, Sydney Trains have developed a corporate plan for 2018-19.

The 2018-2019 Sydney Trains Corporate Plan outlines our actions to continue on our path to becoming a world-class railway for a world-class city, Sydney, and delivering our plans to meet our financial year 2021 goal to be a safe, customer-focused, modern efficient and competitive business.

The 2018-19 Sydney Trains Corporate Plan has six themes:

- **Business** – to improve efficiencies across Sydney Trains
- **Customer, accessibility and travel** – to improve the customer experience with rail transport services and run trains on time
- **Safety** – to create and foster an environment that improves safety
- **People** – to create an effective leadership culture and engaged, customer focused workforce.
- **Assets** – to manage assets for Sydney Trains and NSW TrainLink¹ by balancing cost, risk and performance
- **Environment and the community** – to implement our environment strategy and deliver a more effective approach to community engagement.

¹ NSW TrainLink is the registered business name of NSW Trains.

² Train Crewing and Support Directorate was formed on 12 February 2018.

³ Commenced on 4 September 2017. Previously Finance and Corporate Services headed by Gary Pedersen.

⁴ Commenced 3 October 2017. Previously People and Corporate Affairs headed by Gavin Kable.

⁵ Commenced on 23 October 2017. Previously headed by Robert Groves.

Executive team



Organisational structure

Customer Service

Customer Service delivers quality and consistent day-to-day customer service by providing visible and empowered staff, accurate and timely information, a safe and secure journey and clean trains and stations. A key focus for Customer Service is to continually improve our Customer Satisfaction results to meet the standards our customers expect. Customer Service is implementing a sustainable customer-centric model to realign Sydney Trains' focus from 'moving trains' to 'moving customers.'

Operations Delivery

The Operations Delivery Directorate is responsible for the areas of service control and operations. This includes the Rail Management Centre, service planning, our network of signal boxes, security of the network and managing network incidents and emergency response.

Train Crewing and Support

Train Crewing and Support is responsible for the management, resourcing and rostering of train crew staff and ensuring adequate availability and capability.

Engineering & Maintenance Group

Engineering & Maintenance is responsible for the management of the annual maintenance program on behalf of Sydney Trains and NSW Trains, assets and delivering a safe, reliable passenger fleet and metropolitan rail network to meet the daily expectations of our customers.

Finance & Business Services, Group Rail⁶

Finance & Business Services supports Sydney Trains and NSW Trains core objectives with the provision of finance, procurement, information technology, internal audit, legal and investment management functions.

People & Corporate Affairs, Group Rail⁶

People & Corporate Affairs supports Sydney Trains and NSW Trains; and is responsible for attracting, developing and retaining a skilled workforce that meets Sydney Trains' needs. People & Corporate Affairs facilitates ongoing communication across our diverse staff groups and external channels with our customers, stakeholders and the media.

Safety, Environment & Risk, Group Rail⁶

Safety, Environment & Risk supports Sydney Trains and NSW Trains, in establishing and maintaining Sydney Trains' safety and environmental systems together with the strategic policies that underpin these systems. The Directorate manages the relationship with the Office of the National Rail Safety Regulator, the Office of Transport Safety Investigation, the Australian Transport Safety Bureau, the NSW Office of Environment and Heritage, and WorkCover NSW.

Planning & Portfolio Delivery

The Planning & Portfolio Delivery Directorate was established to deliver agency-wide systems and process improvements. Providing planning and reporting for Sydney Trains, it is implementing a one-team approach for all programs of work. Planning and Portfolio Delivery supports the reform of the railway to become more customer-focused and sustainable, ready to deliver world-class train services in Sydney.

Future Network Delivery

Future Network Delivery oversees the significant program of works needed to build our network and cater for future growth and demand. The Future Network Delivery Directorate will ensure Sydney Trains has absolute focus on successfully delivering the programs required to support growing patronage, Sydney Metro integration and the construction of our new Rail Operations Centre.

⁶ Group Rail provides shared services for both Sydney Trains, and NSW Trains

Financial performance summary

Revenue and expenses

For the year 2017-18, Sydney Trains received \$2,122.4 million (2016-17: \$2,027.9 million) in income from operating activities, while total expenses of \$3,713.8 million (2016-17: \$3,531.9 million) were incurred in operations, depreciation and financing costs. The resulting deficit from operations, before government support, was \$1,591.5 million (2016-17: \$1,504.0 million).

Government contributions and other comprehensive income

Government contributions towards day-to-day operations of Sydney Trains were \$1,360.9 million (2016-17: \$1,281.3 million) for the year. Government contributions towards Sydney Trains capital investment program for 2017-18 was \$13.7 million compared to \$58.3 million in 2016-17. Sydney Trains recorded a deficit from continuing operations of \$216.9 million (2016-17: deficit \$164.4 million).

Other comprehensive income for the year of \$15.6 million (2016-17: \$119.7 million) includes superannuation actuarial gains on defined benefit schemes of \$12.3 million. The total comprehensive income for the period was therefore a deficit of \$201.3 million (2016-17: deficit \$44.7 million).

From the end of November 2017 there was significant uplift in timetabled services requiring additional funding for train crew, station staff and maintenance teams.

Transport entity cost recoveries

During 2017-18, Sydney Trains recovered \$1,132.8 million (2016-17: \$1,179.4 million) in services revenue from related transport entities, \$675.4 million for operational and maintenance services to related transport entities (2016-17: \$598.4 million), \$453.5 million for capital delivery activities as construction revenue (2016-17: \$577.1 million) and \$3.8 million for assigned staff to other entities (2016-17: \$3.9 million).

Total expenses (net of recoveries) were \$2,581.1 million (2016-17: \$2,352.5 million).

Performance against budget

Sydney Trains' net operating income performance was \$113.6 million favourable to budget which was due to additional funding and a contribution from RailCorp of \$62.5 million.

Maintenance expenditure

Maintenance expenditure by Sydney Trains totalled \$1,291.7 million (2016-17: \$1,271.7 million), which included \$196.2 million (2016-17: \$215.3 million) of capitalised maintenance on RailCorp and Sydney Trains assets. Total maintenance undertaken includes work performed for NSW Trains fleet, facilities and network infrastructure.

Capital Investment

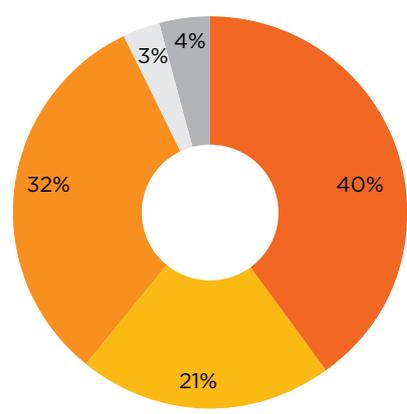
Sydney Trains' total capital investment was \$19.7 million.

Sydney Trains was also engaged in the delivery of capital works for RailCorp assets throughout the year.

In total, Sydney Trains delivered \$468.7 million (2016-17: \$595.5 million) of capital works, including \$196.2 million (2016-17: \$215.3 million) of capitalised maintenance.

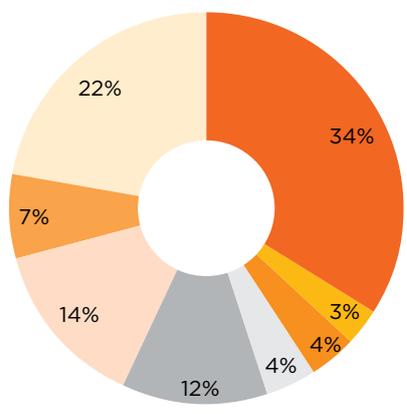
2017-18 Income from operating activities

■ Passenger services revenue	\$852.7m	40%
■ Construction revenue	\$453.5m	21%
■ Inter-entity cost recovery	\$679.2m	32%
■ Grants	\$62.5m	3%
■ Miscellaneous	\$74.4m	4%
Total income	\$2,122.4m	



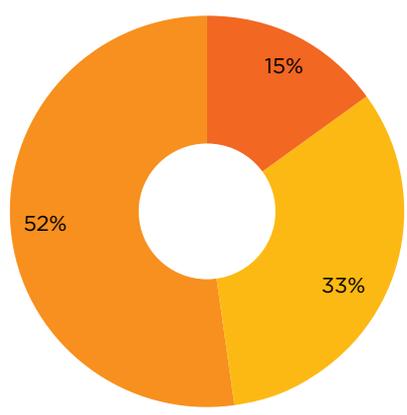
2017-18 Total expenses

■ Employee-related expenses	\$1,249.2m	34%
■ Personnel services expenses	\$123.3m	3%
■ Finance costs	\$169.7m	4%
■ Depreciation and amortisation	\$145.1m	4%
■ Construction costs	\$453.5m	12%
■ Other contractors	\$506.8m	14%
■ External maintenance costs	\$263.8m	7%
■ Other operating expenses	\$802.4m	22%
Total expenses	\$3,713.8m	



2017-18 Total maintenance

■ Capital maintenance	\$196.2m	15%
■ Routine maintenance	\$428.9m	33%
■ Major periodic maintenance	\$666.6m	52%
Total maintenance	\$1,291.7m	



Sydney Trains financials at a glance

	2013-14 \$ million	2014-15 \$ million	2015-16 \$ million	2016-17 \$ million	2017-18 \$ million
Passenger services revenue	745.3	712.4	721.6	779.6	852.7
Other income	1,092.5	1,124.1	1,204.8	1,248.3	1,269.7
Income from operating activities	1,837.8	1,836.5	1,926.4	2,027.9	2,122.4
Total expenses	3,224.0	3,371.6	3,362.9	3,531.9	3,713.8
Deficit from operations before government contributions	-1,386.2	-1,535.1	-1,436.5	-1,504.0	-1,591.5
Government contributions	1,214.9	1,320.5	1,213.0	1,339.6	1,374.6
Deficit from continuing operations	-171.3	-214.7	-223.5	-164.4	-216.9

Cost and revenue per journey/revenue car kilometre

	2013-14	2014-15	2015-16	2016-17	2017-18
Net operating costs per revenue car kilometre ^{*7}	\$8.97	\$9.00	\$8.82	\$9.43	\$9.40
Net operating costs per passenger journey ^{*8}	\$6.13	\$6.00	\$5.38	\$5.50	\$5.75
Passenger revenue per passenger journey	\$2.65	\$2.44	\$2.24	\$2.29	\$2.37

* Net operating costs are in nominal dollars.

⁷ The real cost per revenue car kilometre is \$9.65 for 2013-14, \$9.49 for 2014-15, \$9.16 for 2015-16 and \$9.61 for 2016-17. Revenue car kilometre is based on Scheduled Revenue Car Kilometre. 2017-18 net operating costs per revenue car kilometre are the same as real costs per revenue car kilometre.

⁸ The real cost per passenger journey is \$6.60 for 2013-14, \$6.33 for 2014-15, \$5.59 for 2015-16 and \$5.60 for 2016-17. 2017-18 Net operating costs per revenue car kilometre is the same as real cost per revenue car kilometre.

Cost is calculated based on 'net operating cost'. Net operating cost is total expenses excluding capital related costs, depreciation and amortisation, the cost of construction, inter-entity cost recoveries, and items that are not part of net operating costs.

Our performance





Our customers

In 2017-18, Sydney Trains focused on improving the customer experience with rail transport services and running trains on time, in line with State Priorities.

We measured our success through:

- sustained high level of customer satisfaction
- improved information to our customers
- improved incident response and recovery times
- improved customer journey times.

Overview

Sydney Trains delivers a consistently high-quality customer experience, and continues to receive positive feedback for improved customer service, clean trains and updated stations.

We aim to ensure our people are visible and empowered to provide accurate and timely information and a safe and secure journey across all 174 stations on the Sydney Trains network.⁹

We aim to deliver customer journey growth, growing patronage year-on-year by delivering high-quality services which attract new customers.

Customer service

Sydney Trains' Customer Satisfaction result was 86 per cent in the May 2018 reporting period, with a decrease of three per cent since the November 2017 reporting period.

Customer satisfaction with our employee's customer service has been consistently high in this category, measuring 84 per cent in May 2018. During the 2017-18 financial year, we continued to focus on moving customers and supporting them on their journeys, with our frontline staff being visible and informed to meet customer needs across the station environment.

The Customer Experience Management Program (CXMP) was embedded into our operation, allowing measurement of our customer service interactions, supported by coaching to improve the customer experience. CXMP has shown an increase in customer service provided by station staff, from 5.7 to 6.1 year on year measured using a seven point scale. The CXMP also

provides data on information, cleaning and overall customer satisfaction, significantly accelerating a timely response from both frontline and leadership teams.

Information

Customers acknowledged that Sydney Trains provides a high standard of service information and they appreciate our people are better informed. We have continued to focus on delivering real-time information to ensure station staff have the latest information on network performance available through mobile technology. We provide updated information through our social media channels, particularly Twitter, and give our people better tools and technologies to access up-to-date, real-time information and help customers more effectively.

In 2017-18 we:

- upgraded 30 stations across the Sydney Trains and NSW TrainLink network from analogue to digital personal address systems
- enabled employees at an additional 19 stations to run public address systems directly from their mobile phones, further improving customer information announcements (a total of 75 stations equipped with this system to date)
- installed Audio Frequency Induction Loop System at 43 stations across the SydneyTrains and NSW TrainLink network
- continued to expand our real time customer information channels and provide innovative solutions like real-time Waratah train seat availability.

Cleanliness

Our daily focus on clean stations and trains was supported by an advanced program of ongoing cleaning and monitoring. Despite significant customer growth through 2017-18, customer satisfaction in cleanliness has remained consistently high, measuring 88 per cent in May 2018, a slight increase from the previous reporting period.

⁹ Sydney Trains does not staff the four airport line stations.

Station environment

We continued to modernise stations across the network through our programs to improve station amenities and refreshing general presentation to deliver a better customer experience. These programs have delivered significant improvements to the stations through upgrading station facilities and wayfinding signage, building refurbishments, platform resurfacing and retail fit-outs. This in turn has impacted positively on the environment, increasing safety and security for our customers. Customers also reported improved convenience and comfort in the May 2018 reporting period. These are new indicators in our gathering of customer feedback.

Improved connectivity

Sydney Trains is committed to making services accessible for all customers. The Transport Access Program is an initiative to provide a better experience for public transport customers by delivering accessible, modern, secure and integrated transport infrastructure.

The program aims to provide:

- stations are accessible to the disabled, ageing and parents with prams
- modern buildings and facilities for all modes that meet the needs of a growing population
- modern interchanges that support an integrated network and allow seamless transfers between all modes of transport for customers
- safety improvements including extra lighting, help points, fences and security measures for car parks and interchanges, including stations, bus stops and wharves
- signage improvements so customers can more easily use public transport and transfer between modes at interchanges
- modern accessible car parking to meet commuter demands
- other improvements and maintenance such as painting, new fencing and roof replacements.

174 of the 307 stations on the suburban and intercity networks are now accessible, covering around 90 per cent of all customer journeys.

Customers reported accessibility at 89 per cent in the May 2018 reporting period. This is a new indicator in our customer satisfaction feedback.

A safe environment

We continued to rank 90 per cent for safety and security in customer feedback responses, as reported in the May 2018 reporting period. We extended the Wayfinding Program to provide consistent and easy-to-follow visual messages to improve our customers' journeys, particularly when changing modes or when they are unfamiliar with our network. Effective signage enhances the customers' experiences and can leave a favourable impression long after they have left the network.

Rollout of new signage at our Sydney CBD stations and others across the network has continued throughout the year.

These activities contributed to our low customer injury frequency rate (CIFR) of 2.1, below our target of 2.3.

Enhancing customer safety

In looking out for the health and wellbeing of our customers, we have 12 paramedics and registered nurses located at 12 stations during morning and afternoon peaks. This not only allows customers suffering from an illness to receive appropriate attention but also gets trains moving again. Sydney Trains Station Duty Managers are also trained and certified to administer First Aid to assist in attending to customer illness and enhance customer safety. Also, there are 151 defibrillators on the Sydney Trains and NSW TrainLink network, monitored 24 hours a day and available to employees and customers in case of an emergency.

Improved revenue protection

Sydney Trains is responsible for revenue protection across the Transport Cluster through our Transport Officers, who collaborate with Transport for NSW and the Police Transport Command. The Fare Compliance Unit aims to increase fare compliance and improve the customer experience across all modes of public transport. Since its inception, a number of key initiatives have been delivered, including:

- supporting the rollout of Opal across all modes of transport, encouraging uptake and educating customers on the correct use of products
- leveraging mobile technologies to allow for an electronic penalty notice system that has resulted in the improved quality and timeliness of infringement processing.

Awards

In 2017-18, we won a range of awards demonstrating our commitment and efforts to put the customer at the centre of everything we do. These included:

- National Trust Heritage Awards 2018 – Continuing Tradition. Sydney Trains was recognised in the Continuing Tradition category at the 2018 National Trust Awards for the restoration of the interior waiting room benches at Kiama and Bulli stations
- Premier's Award for Public Service – Andrew Dinger. Andrew Dinger, Station Duty Manager at Kingsgrove Station, won the Premier's Award in November 2017 for 'Improving Government Services'. Andrew was recognised for his strong contribution to customer satisfaction, and willingness to lead on the values and behaviours of Sydney Trains
- Transport Awards (Collaboration category) – 2017 Timetable Volunteers Program. The 2017 Timetable Volunteers Program involved over 350 volunteers in their distinctive pink shirts being deployed to the busiest stations on the Sydney Trains network, providing an extra layer of support for our station staff and helping customers understand changes to the 2017 Timetable
- Transport Awards (Solutions category) – Waverton and Wollstonecraft Stations noise reduction for the community. Sydney Trains found an innovative way to reinstate announcements to Waverton and Wollstonecraft stations after 10 years while also reducing noise to the local community using a tailor made audio system.

Our people

In 2017-18, Sydney Trains focused on supporting our people by creating an effective leadership culture and engaged workforce.

We continue to measure our success through:

- increased employee capability through investment in their development
- a more diverse workplace with increased representation of female leaders and Aboriginal employees
- maintaining employee wellbeing and recognising their achievements.

During the year, 74 per cent of our people participated in the NSW PMES survey which pleasingly resulted in an improved engagement score.

Overview

Our people are our most important asset, providing critical knowledge, services and leadership. It is our people who ensure that our customers are at the centre of everything we do – this has been a core focus for our nearly 10,280 people. Leaders at all levels champion a one-team approach to our behaviours and the way we work.

We are building practices and environments to ensure we are a diverse, flexible, engaged and agile workforce. We have also focused on building the capability and competence of our people, matching workforce capacity to areas subject to change, driving accountability for individuals and enhancing the competency and capability of frontline staff.

Our Aboriginal Employment Unit was formed in September 2017, and has had the primary focus of partnering with business stakeholders to drive Aboriginal employment and representation within Sydney Trains (and NSW TrainLink). Our activities have included:

- engaging with our existing Aboriginal staff
- getting to know our business and roles
- driving cultural understanding and competence
- supporting Aboriginal woman in development and career opportunities
- building talent pipelines for roles across the business
- reviewing how Sydney Trains and NSW TrainLink attracts and recruits Aboriginal staff

Already, our Aboriginal Targeted Recruitment Campaigns have been very successful seeing a significant increase in Aboriginal Representation across Sydney Trains Directorates.

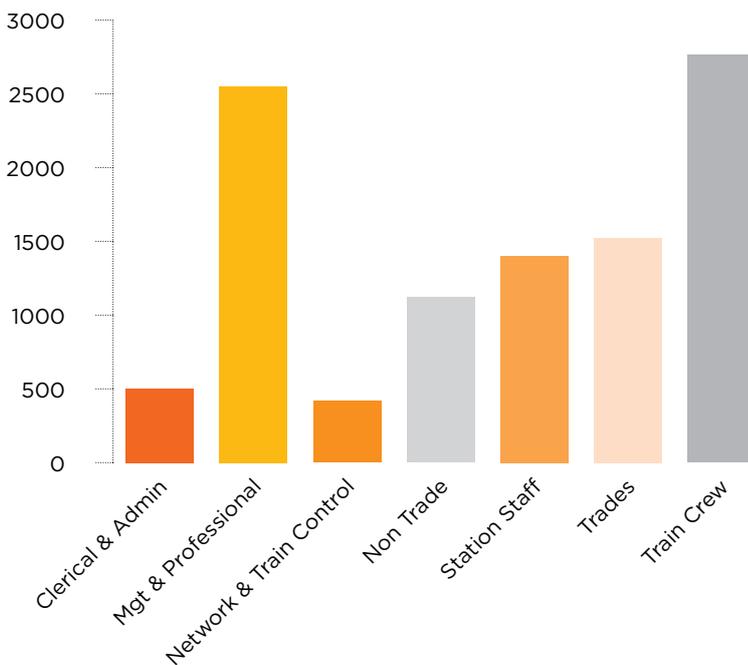
Apprenticeship program

The Sydney Trains Apprenticeship program is one of the largest rail apprenticeship programs in Australia and the largest within the Transport for NSW cluster. Sydney Trains has 145 apprentices in nine trade areas (Signal Electrical, Substations, Rail Traction, High Voltage Cables, Telecommunications, Signal Fitting, Plant Mechanics, and Rail Maintainer (Electrical and Mechanical)). Seven per cent of our apprentices are women, which is well above the 2% national average for women working in construction trade areas. Our program remains extremely competitive and continues to grow to meet the growing demand for technical trade

areas supporting Sydney Trains and service growth. We increased recruitment numbers by 30 percent for the 2019 Apprenticeship intake, offering 70 positions. Our Apprenticeship program recruitment activities have promoted diversity in trades and apprentice branding to industry and the education sector; and has successfully grown the participation of women and Aboriginal people. Our recruitment process has included our work experience program for high school students; expos; our women only pre apprenticeship program; and formation of industry partnerships such as our work with Supporting and Linking Tradeswomen (SALT) and 'Try a Trade days'.

Employees by category

The graph below shows employee numbers based on their position category and job codes.



* Senior Managers & Senior Executives are included in Mgt & Professionals category. 238 Trainee Drivers are included in Train Crewing.

Development

More than 300 new drivers and guards were recruited during 2017-18 to ensure we have the required number of crew available to deliver an increasing number of services. New guard and driver recruits undergo a robust training program of five and 12 months respectively. This investment ensures our people are positioned to deliver safe and reliable services.

In 2017, we commenced an optimisation process to increase the speed of onboarding and training drivers and guards, significantly reducing the recruitment process.

Our multi-skilling and depot reset program continues to build the capability of the Fleet Maintenance workforce, positioning Sydney Trains' fleet maintenance depots to meet future demand.

Diverse workplace

As part of Sydney Trains commitment to diversity and inclusion, in 2017 and 2018 we ran targeted recruitment campaigns for women and Aboriginal and Torres Strait Islanders for train crew and customer service roles.

Diversity is recognised and valued by our employees. There was a three point increase in our organisational People Matters Engagement Survey 2018 (following a 10 point increase in 2017). Notably, responses to 'senior managers in my organisation support the career advancement of women', further increased to 57 per cent compared with 55 per cent in 2017 and 45 per cent in 2016.

To advance women in Sydney Trains we continued to deliver Thrive forums, career-empowerment programs, and female and Indigenous graduate and apprenticeship recruitment campaigns.

As part of a NSW Government 'Decade of Decentralisation' initiative, Sydney Trains have transitioned workforces into purpose-built facilities in Clyde, Burwood and Mascot. This has involved the physical relocation of employees as well as transitioning to an activity-based working approach.

Health and wellbeing

Our health and wellbeing initiatives included 'Health Fairs', 'R U OK? Day' and influenza vaccinations. We launched 'Dial a Dietitian', 'SleepFit' – an online sleep health portal, strengthened our Health Champion network, held Health Hit Workshops (involving nutrition and exercise), launched the Sydney Trains Moves exercise book, and rolled out mental health training, including post-incident trauma support. We also commenced the process of updating all Sydney Trains' health risk assessments, job dictionaries and functional assessments.

Leadership

Transport for NSW 'Drive-It' leadership programs were held, and attended by 280 Sydney Trains' supervisory and management staff. The program sought to define and embed the concept of flexibility within Sydney Trains, particularly as a portion of our workforce moves to activity-based working. We continued to support employees affected by change through the provision of a dedicated Workforce Transition Centre.

High performing Sydney Trains employees were offered opportunities to participate in leading public sector development initiatives, allowing more than 20 high performing employees the opportunity to collaborate and learn together with colleagues from across the NSW public sector.

Sydney Trains participated in the NSW Public Sector People Matters Engagement Survey (PMES). This survey measures a range of issues to better understand the engagement and commitment of our people.

Employee recognition

Underpinning our achievements are our people – individuals and teams. The Sydney Trains Staff Excellence Awards during 2017-18 acknowledged and rewarded individuals and teams who have gone above and beyond in the line of duty, and significantly contributed to the overall success of Sydney Trains and the Transport Cluster. A total of 155 Sydney Trains Staff Excellence Awards awards were given.

Employees demonstrating our Sydney Trains SPACE behaviours – safety, pride, accountability, collaboration and excellence – are recognised across three categories, including operational excellence, safety and customer experience.

Other

Other activities included:

- launch of a new Customer Service Attendant portal for our employees working at stations. This portal is available to all employees from any device
- launch of the Aboriginal VET Cadet program, on-boarding an initial cohort of 10 employees who have completed a Certificate IV in Project Management as part of an initiative to advance their career and promotion prospect.

Management and structure

Sydney Trains' Executive team members and their qualifications

Name	Position	Qualification
Howard Collins OBE	Chief Executive	Master of Business Administration, Fellow of the Institute of Directors
Susannah Le Bron	Executive Director Customer Service	
George Stojkovski	Acting Executive Director Operations Delivery	Diploma in Business Management
Hayden Donoghue	Executive Director Train Crewing and Support	Bachelor of Business (Agribusiness); Masters of Business Administration; Graduate Certificate Supply Chain & Logistics
Stewart Mills	Executive Director Engineering & Maintenance	Bachelor of Science (Hons), Mining ACSM, MIExpE, EFP, ANZSOG
Anne Hayes	Executive Director Finance & Business Services, Group Rail	Bachelor of Accountancy, CA, GAICD
Meg Graham	Executive Director People & Corporate Affairs, Group Rail	Bachelor of Business Management
Nev Nichols	Executive Director Safety, Environment & Risk, Group Rail	Bachelor Degree (Hons) in Electrical/Electronic Engineering; Post Graduate Diploma in Management; Fellow of The Institute of Engineering and Technology (IET) and Fellow of the Institution of Railway Signal Engineers (IRSE).
David Callahan	Executive Director Planning & Portfolio Delivery	Master of Business Administration, Bachelor of Social Science, GAICD, EFP ANZSOG
Anthony Eid	Executive Director Future Network Delivery	Advanced Diploma in Management
Irene Rusak	General Counsel	LLB, Graduate Diploma of Applied Corporate Governance, FGIA
Mark Sullivan	General Manager Communication, Media and Government Affairs	BA, Master of Business Administration

Salaries

Salary Band Sydney Trains	Award	Band 1	Band 2	Band 3	Grand total
<\$50,000	525				525
\$50,000 to \$75,000	4133				4133
\$75,001 to \$100,000	2748				2748
\$100,001 to \$125,000	1233				1233
\$125,001 to \$150,000	1106				1106
>\$150,000	405	100	27	3	535
Grand Total	10,150	100	27	3	10,280

Safety

The safety of our customers, our people and the public has remained the focus of Sydney Trains in 2017-18.

Sydney Trains has maintained its comprehensive Safety Management Systems (SMS) that meet all regulatory requirements including obligations under the *Rail Safety National Law 2012 (NSW)*. The SMS mitigates safety risks and is subject to continuous improvement to address the various needs as the organisation and operating environment undergo change.

Our performance is evaluated by measuring:

- reduction in customer injuries
- reduction in employee injuries
- reduction in operational incidents
- reduction in control failures
- reduction in criminal offences
- system assurance (audit, investigation, safety action management)
- education and training.

Customer and operational safety

Sydney Trains has maintained safety through maintenance of Network Rules, Operator Specific Procedures and SMS. Our targets for improvements in safety measures were achieved while at the same time patronage increased by 5.4 per cent.

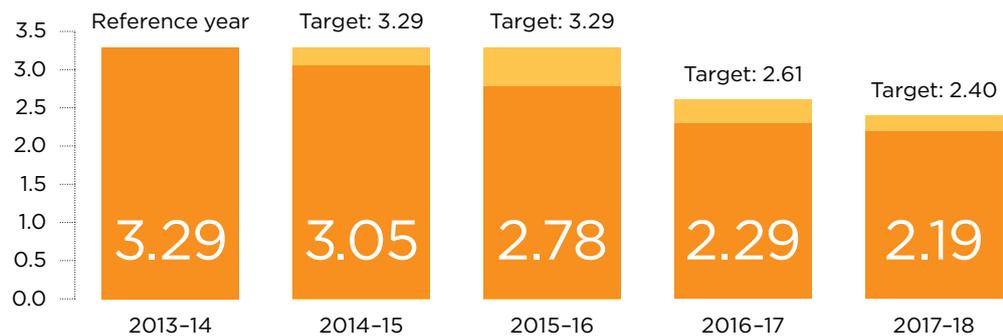
In addition, there were many safety initiatives undertaken across the organisation including the popular Rail Safety Week activities designed to improve customer knowledge and understanding of safety on and around trains.

Customer safety

Sydney Trains' prime measure of its customer safety performance remains the Customer Injury Frequency Rate (CIFR), which measures customer injuries per million passenger journeys. In 2017-18 we achieved a CIFR of 2.19 representing ongoing improvement for the past five years as shown in the chart below.

The definition of 'customer injury' is physical injury that was reported as sustained on the network and leads to a minimum of first aid treatment.

Customer Injury Frequency Rate - annualised



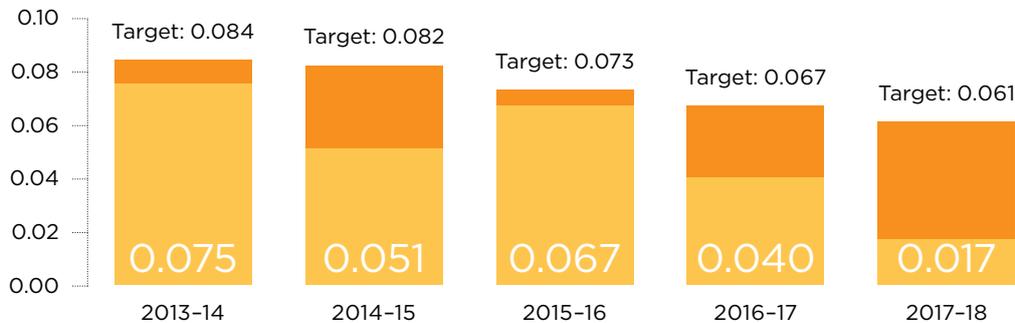
The result over the past five years shows consistent improvement.

Operational safety

Our operational safety performance represents the total number of qualifying incidents per year normalised per million customer journeys, and is measured through the Operational Safety Index (OSI). There is a composite of 12 incident categories of operations, rail infrastructure or rolling stock considered to present potentially significant risk to passengers.

Sydney Trains annualised OSI performances in the past five years are shown in the chart below.

Operational Safety Index - annualised



The result over the past five years shows consistent improvement.

Customer and worker exposure to criminal offences

Sydney Trains remains committed to close collaboration with police and contracted security services to maintain and improve customer and worker safety. This includes targeting known security hot spots in the network.

In addition our CCTV system is maintained with over 10,000 cameras. The Police Transport and Public Safety Command works closely with Sydney Trains to provide information and intelligence on criminal offences.

Sydney Trains also works on related programs such as the Security Management Plan, Rail Corridor Fencing Program, NSW Level Crossing Strategy Council and the Graffiti Management Strategy.

Graffiti is one of the top offences in terms of number of incidents and cost of consequence. However, this year has seen a 17 per cent reduction on the previous year.

Employee safety

Sydney Trains' prime measure of workplace safety performance remains the Lost Time Injury Frequency Rate (LTIFR), which measures the number of staff injuries leading to lost working hours at least one full shift, normalised per million hours worked. In 2017-18 we achieved an LTIFR of 7.7 representing ongoing improvement for the past five years as shown in the chart below.

The Lost Time Injury (LTI) definition was recently reviewed to provide broader scope as well as consistency with benchmarking partners in accordance with the Australian Standard such as injury management for workers exposed to critical incidents/fatalities being covered.

Lost Time Injury Frequency Rate - annualised



The Sydney Trains' Safety Focus Program has continued. It is maintained at a strategic level to drive five streams of work for further improvement in safety performance. These streams are:

- 1. Safety culture:** a series of initiatives designed to improve safety knowledge, awareness and behaviours across the organisation
- 2. Worksite protection arrangements:** improve effectiveness and competencies of Signallers and Protection Officers
- 3. Safety critical communications:** improve clarity and accuracy of communications
- 4. Planning for maintenance work:** improve effectiveness and quality of planning processes in the rail corridor
- 5. Fatigue management:** improve effectiveness and quality of fatigue management across all operational areas.

Other initiatives to help prevent injuries in our workplace include the Stretch It Out Program, Early Intervention Program (improving line managers' response to workplace injuries), Safety Access Platform System (providing easy access to crew compartment) and Customer Welfare Management (improving employee interaction with customers and members of public).

Note: The LITR definition has been revised to better align with AS1885.1-1990.

The following table contains additional information regarding Sydney Trains' work health and safety metrics.

Work health and safety category	Count
Number of staff injury notifications received	1423
Total days lost due to workplace related injuries or illness	4367
Number of claims registered	561
Lost Time Injury Frequency Rate	7.7
Prosecutions under the Act	0
Workplace safety inspections	1621 Safety Leadership visits

Operational performance

Sydney Trains operates over 22,200 train services per week and on a typical Monday to Friday weekday, we carry approximately 1.3 million customers. In November, we added up to 1500 weekly services, including 750 services on weekends. This resulted in an eight per cent increase in our services, significantly increasing our train services and meeting our customers' train transport needs.

Our vision is to 'Keep Sydney moving' by delivering safe, customer-focused, reliable and clean rail services to our 359 million annual customers.

Punctuality

We need to improve our train peak punctuality which ended the year at 91.6 per cent. To address this, we are placing a greater focus on incident response and recovery to limit the number of delays caused by incidents across the network.

Customer satisfaction overall

86%

(based on May 2018 data set).

Who are our customers?



Customer satisfaction by service area

May 2018 result

Timeliness	81%
Safety/Security	90%
Ticketing	92%
Convenience	84%
Accessibility	89%
Comfort	83%
Cleanliness	88%
Information	86%
Customer Service	84%

Customer Satisfaction by line

May 2018 result

T1 North Shore, Northern & Western Line	88%
T2 Airport, Inner West & South Line	81%
T3 Bankstown Line	82%
T4 Eastern Suburbs & Illawarra Line	90%
T5 Cumberland Line	79%
T6 Carlingford Line	83%

% change (rounding has been applied) New data no comparison available

Note: The May 2018 line classification used for T2 was based on Airport & East Hills, Inner West and South. No survey is yet undertaken for the T7 - Olympic Park Line.

Supporting Sydney major events

Sydney Trains coordinated train services for hundreds of concerts, sporting and public events in and around Sydney (including NRL Grand Final, Rugby League World Cup 2017, Royal Easter Show, Anzac Day, Mardi Gras, the Vivid Festival, State of Origin, City 2 Surf and New Year's Eve).

Maintaining our assets

In 2017-18, Sydney Trains focused on optimising the whole-of-life costs of over \$34 billion asset portfolio that it maintains for Sydney Trains and RailCorp, by balancing cost, risk and performance.

We measured our success through:

- delivery of the annual works program across the rail network
- improved reliability and availability of assets
- reduced customer impact from asset-related incidents.

Overview

As an operator, maintainer and deliverer of choice, Sydney Trains operates rail services, manages stations and crewing, and undertakes the maintenance of metropolitan rail infrastructure, rolling stock and stations.

During the financial year, Sydney Trains delivered over \$450 million worth of projects to modernise the State's metropolitan rail infrastructure.

To drive continuous improvement, we're investing in new technologies and innovative engineering and maintenance solutions while delivering operational efficiencies and cost savings.

Annual Works Program

Sydney Trains manages and maintains assets valued at over \$34 billion. Safety is at the core of everything we do and is the first priority in the planning and delivery of works. Key maintenance projects delivered as part of the \$1.3 billion Annual Works Program include:

- 19.336 km re-railing (AMP)
- 37.521 km re-railing (squats)
- 475.17 km resurfacing plain track
- 13.705 km ballast cleaning
- 16.845 km contact wire renewal
- 35 turnout renewals
- 674.16 km rail grinding
- 6.480 km track reconditioning
- 1.399 km OHW modernisation
- 5.312 km track reconstruction
- 28 bridge refurbishments
- 176 cars component change out (electric fleet)
- 433 bogie overhaul (electric)
- 475 traction motor overhaul (electric).

During 2017-18 we:

- completed Donnison Street Bridge in Gosford, ahead of schedule to allow the road to open early
- delivered over 40 turnout refurbishments throughout the network and at critical junctions to improve reliability
- rebuilt overhead wiring between Penrith and Emu Plains, including contact wire renewal
- replaced additional sleepers and delivered noise dampening in the city tunnels to improve the customer experience
- delivered a large volume of re-railing across the network, including Sydney Harbour Bridge to strengthen rail integrity
- successfully delivered the Enterprise Asset Management (EAM) program as part of Transport EQUIP by December 2017. There are 7500 staff across Sydney Trains using the system and there is an ongoing program of Continuous Improvement to support adoption
- completed the designs for the Track Circuit Assistor program and commenced fit out in Endeavour, Xplorer and Hunter fleets.

In quarter four we delivered approximately 32 per cent of the year's portfolio, including key projects and critical Major Periodic Maintenance. As a result, Sydney Trains fully delivered its revised baseline, which included additional projects and provided resources to commission and complete works to support Transport for NSW programs.

Key projects

Major Projects delivered during the year included:

- automation of Sydney and Strathfield Signal Box (from push button control to Automated Train Running Information Control System (Atrics))
- Adamstown footbridge renewal
- Penrith overhead wiring upgrade to remove and upgrade some of the oldest overhead wiring on the network
- first split bearer renewal turnout in NSW at Fassifern
- work on the Hornsby Maintenance Centre (HMC) track slab
- Major Works Transformation.

Major project activities also included support for Transport for NSW's Automatic Train Protection project.

During 2017-18, as part of the Major Works transformation, we completed construction of a new Engineering and Maintenance Hub at Clyde. This is a purpose built activity based working environment. In October, we began relocation of more than 1500 employees from 16 sites. The transition to the Hub has greatly improved collaboration between key teams, increasing efficiencies and building stronger working relationships in the Engineering and Maintenance Directorate.

Awards and industry recognition

During 2017-18, we received a number of industry accolades, further establishing Sydney Trains' solid reputation as a world-class asset manager and provider of engineering and maintenance solution. These included:

- **2017 AIPM (NSW Chapter) Project Management Achievement Awards** - Best Construction/Engineering Project awarded to Sydney Trains' Tangara Technology Upgrade Project
- **2017 AIPM (NSW Chapter) Project Management Achievement Awards** - Best Project (NSW) awarded to Sydney Trains' Waterfall Culvert Installation Project
- **2017 AIPM (NSW Chapter) Project Management Achievement Awards** - Best Small Project awarded to Sydney Trains' Waterfall Culvert Installation Project
- **2017 NSW Permanent Way Institute Awards** - Steve Maxwell Minor Plate Laying Award awarded to Sydney Trains' Central 628 AB Turnout Renewal Project
- **2017 NSW Transport Awards** - Champion of Diversity & Inclusion Award won by Sydney Trains' Apprentice Unit
- **2017 AIPM (National) Project Management Achievement Awards** - Best Small Project (National) awarded to Sydney Trains' Waterfall Culvert Installation Project
- **2017 AIPM (NSW Chapter) Project Management Achievement Awards** - Best Young Project Manager awarded to Sydney Trains' Ben Schipp for delivery of the Track Drainage Program.

The environment

For 2017-18, we committed to implement our environment and sustainability strategy, improving our environmental performance while adding value to the business.

We measured our success through:

- reduced impact from rail noise on our stakeholders
- improved planning, identification and assessment of our biodiversity risks
- improving energy efficiency and reducing carbon emissions
- improving our understanding of the impacts of climate change on the network and our operations.

Overview

As part of our commitment to enhancing the environmental sustainability of the rail network, Sydney Trains undertook a number of initiatives aimed at improving energy efficiency and reducing greenhouse gas emissions during the 2017-18 financial year.

Noise

In 2017-18, management of the noise impacts of Sydney Trains' operations and maintenance activities were a key environmental focus. We engaged with the community in locations of particular concern around rail noise, to better understand residents' concerns and increase their understanding of operational requirements and constraints.

Sydney Trains continued with the Pollution Reduction Program (PRP) for the implementation of the mitigation measures identified in the report into the causes of wheel squeal in the Waverton and Wollstonecraft Area. To date, the mitigation measures implemented include new Top Of Rail Friction Modifier Application (TORFMA) units, rail lubrication strategy, re-railing and trialling of softer rail pads.

The monitoring program to assess the effectiveness of each of the mitigation measures was undertaken in full consultation with the NSW Environment Protection Authority (EPA). Initial observations are that the lubrication strategy is resulting in a marked improvement in noise levels.

Biodiversity

During 2017-18, Sydney Trains continued to implement management plans for the Blue Gum High Forest and Sydney Turpentine Ironbark forest endangered species located in the rail corridor.

Bush regeneration teams carried out work to mitigate the impact of weeds on high and medium priority Blue Gum High Forest and Sydney Turpentine Ironbark forest sites on the T1 (North Shore) Line.

Bush regeneration also continued at:

- the Wolli Creek Grey-Headed Flying Fox Camp focusing on control of ascending vines and woody weeds. This is the third consecutive year that work has occurred at the site and natural regeneration of native species is now occurring.
- the Duck River Grey-Headed Flying Fox Camp
- sites where populations of the vulnerable Downy Wattle (*Acacia pubescens*) occur. These sites also received follow up weeding during the year.

Energy efficiency

Lighting at our stations is a significant consumer of energy. Sydney Trains is continuing to progressively roll out energy efficient LED lighting across our portfolio of stations to improve their energy performance. To date over 30,000 efficient fixtures have been installed reducing lighting energy use at some stations by more than 30 per cent. This builds on other energy efficient lighting upgrades Sydney Trains has previously implemented including LED lighting upgrades within the city circle tunnel, on our Tangara train fleet and at some train maintenance centres.

During 2017-18, Sydney Trains has been actively assessing locations for potential solar photovoltaic (PV) installations on our buildings and facilities. Sydney Trains now has 490kW of PV installed across our network providing a source of clean renewable energy and saving around 583,750kg of CO₂-e per annum. Another 102kW of PV is currently at various stages of implementation.

Furthermore, over the past year Sydney Trains has been assessing the use of PV systems connected with battery energy storage and is in the initial stages of establishing some trials of this technology.

Climate change

Sydney Trains is continuing to integrate climate change adaptation measures into its operational processes. Climate change considerations are now integrated into the new Asset Management System Framework and Objectives, including a requirement to consider extreme weather and climate change during asset management processes and planning.

In addition, Sydney Trains:

- contributed as a founding partner to the XDI Adapt Infrastructure climate risk mapping software that integrates climate, hazard and environmental conditions data alongside asset information to provide a refined understanding of future risk exposure and vulnerability of critical assets in NSW
- contributed to the published Asset Standards Authority ambient environmental conditions climatic standard, which defines a single, consistent set of existing environmental conditions for heavy rail and light rail assets, and includes projections of future environmental conditions.

Environmental compliance

Sydney Trains did not receive any penalty infringement notices, formal warning letters, clean-up or prevention notices from the NSW Environment Protection Authority for its network operations, the Chullora Ballast Recycling Centre or the Bombo Quarry during the 2017-18 financial year.

During 2017-18, Sydney Trains issued 589 resident notifications. All notices issued are published on the Transport website at transportnsw.info/alerts. In accordance with its Environment Protection Licence (EPL) 12208, Sydney Trains notifies neighbouring residents of any proposed railway maintenance or construction activity being conducted outside normal business hours. Residences and businesses within a 200m radius of a work site receive a letterbox drop at least five days prior to work commencing.

Community relations

In 2017-18, Sydney Trains' employees continued building relationships and partnerships to deliver effective community engagement.

We measured our success through strengthening our relationships with the communities in which we operate.

Overview

Sydney Trains undertook a number of initiatives to engage with the metropolitan and wider Sydney community. These relationships promoted our work, built goodwill and improved our reputation among other government organisations, communities and customers.

Celebrations

Sydney Trains recognises and values the cultural diversity of the community and our workforce. We supported events such as International Women's Day, Harmony Day, NAIDOC Week, Mardi Gras, International Day of People with a Disability, Eid Festival and the Diwali Festival.

Community

Sydney Trains supported and became involved for the second time in 'Vivid Sydney', a four-week long festival of light, music and ideas between May and June. The Central Station clock tower was illuminated with moving images of Sydney's historic rail roots and visions of the future.

We participated in a number of events that are of significance to our customers and our people. We regularly recognise and promote Rail and National RU OK? Days, and raise awareness of the importance of mental health in the workplace. We recognise the impact of fatigue and prepare inductions and health reminders.

In 2017-18, Sydney Trains partnered with TrackSAFE Foundation to promote Rail Safety Week with Transport for NSW and NSW TrainLink.

Sydney Trains' Rail Safety Education Program continues to connect with local communities through safety education programs and engaging with schools and students and toddlers and parents. The Rail Safety Education Program visited around 78 schools delivering rail safety education to over 5200 students. TrackSAFE with Thomas & Friends and

'Heritage Steam Train rides' taught 3500 preschool aged children and their parents and carers about rail safety around trains and tracks.

We have also strengthened our engagement with young people, and police, on access and safety issues. We participated in 19 Youth Justice Conferences and attended Orientation weeks at several universities in Sydney. We also hosted a tent at the Easter Show providing over 100,000 wristbands for children (and/or elderly) with contact mobile numbers written on them and information about who 'safe' people are at the Easter Show, as part of our safety education program.

We also worked closely with local communities to commemorate our railway history with Hawkesbury Bridge book launch and station refreshes at Bundanoon, Bulli and Kiama stations.

With the formation of the Aboriginal Employment Unit within Sydney Trains in September 2017, we are strengthening our relationships with Aboriginal communities holding modern-day gatherings or corroborees, and running targeted recruitment campaigns in Customer Service, Future Network Delivery, Operations and Engineering. We attended the Yabun Festival 2018 and Koori Knock-Out 2017, connecting with 38,000 people and 5000 people respectively, strengthening relationships, building positive brand recognition and increasing awareness about employment pathways.

Significant work has also been made to acknowledge the Stolen Generation. Sydney Trains has collaborated to recognise and hear from:

- Cootamundra Girls
- Kinchela Boys
- Bomaderry Homes
- Parramatta Girls

Sydney Trains worked in consultation with the NSW Department of Aboriginal Affairs.

We also focused on working with local government councils to ensure quick and coordinated responses to local matters, providing relevant and timely works information, as well as promoting our efforts to community groups and stakeholders. For example, we hosted an information stall mainly providing information on Sydney Trains' services, concessions, and Opal as part of Seniors Week 2018, reaching over 17,000 people.

Charities and not-for-profits

We supported a range of community linked organisations through our Workplace Giving Program and on-site activities, including the Children's Hospital Westmead, Alzheimer's Australia, Lifeline Australia, NSW Rural Fire Service, Vision Australia and the National Heart Foundation.

Transport for NSW and Sydney Trains worked together with disability advocates and organisations to identify and address barriers to using our services.

We continued to work with a range of national, regional and local charities to allow them access to our stations for their fundraising efforts, including but not limited to:

- Red Nose Day
- Jeans for Genes Day
- Salvation Army
- Pink Ribbon Day - Cancer Council
- Alzheimer's Australia
- Bandanna Day - 'CanTeen'
- Remembrance Day - Returned Services League
- Legacy Badge Day
- White Ribbon.

International delegations

Sydney Trains hosted delegations from:

- Seoul Metro, South Korea
- engineering students from Iowa State University, USA
- government officials from frontline and transport agencies, Sri Lanka
- Bangladesh Railway, Bangladesh
- Ministry of Land, Infrastructure, Transport and Tourism (MLIT) of Japanese Government, Japan
- students and graduates, Institution of Civil Engineers Hong Kong, Hong Kong
- Asociacion Rosarina Amigos Del Riel, Spain.

Sydney Trains continues to develop its community relations activities with direct stakeholder engagement, strategic partnerships and participation as an active member of the Sydney community.

Rail heritage

Sydney Trains is responsible for managing one of the largest portfolios of state-listed heritage assets in New South Wales. This includes historic railway stations, bridges, workshops, signal boxes and significant railway landscapes.

Sydney Trains' Heritage Asset Management Strategy (HAMS) focuses on initiatives that improve heritage asset management, identifying smarter ways of delivering works at heritage places, achieving conservation outcomes in project delivery and sharing Sydney Trains' history with our customers.

Significant achievements

In October 2017, Sydney Trains was presented the prestigious 'Colin Crisp' Engineering Heritage Australia's heritage award for the MacDonaltdown Southern Gasholder conservation project, in the 'Engineering Heritage Conservation' category.

In May 2018, Sydney Trains received one award and another project shortlisted at the annual National Trust heritage awards, which recognises excellence in the heritage industry across NSW. Sydney Trains was recognised for the following projects:

- 'Interior waiting room benches at Kiama and Bulli Railway Stations' - winner in 'Continuing Tradition' category for demonstrating restoration of heritage features using traditional joinery skills and detailing while meeting current standards
- 'Escalation Sensation' - shortlisted in the 'Heritage Resources and Publications' category for chronicling the last operational wooden railway escalators in Australia.

The National Trust of Australia (NSW) formally congratulated Sydney Trains and Transport for NSW in May 2018 for excellent heritage work in relation to the replacement of the historic wooden escalators at Wynyard Railway Station.

Key events

In July 2017, Sydney Trains celebrated 150 years since the first regular passenger train travelled from Penrith to Weatherboard (known today as Wentworth Falls) on the Blue Mountains Line.

In November 2017, Sydney Trains participated in 'Sydney Open' with public tours of Central Station Clock Tower, disused platforms 26/27 and the disused tunnels at St James Station.

Moss Vale Station celebrated its 150 years anniversary in December 2017 with a formal ceremony in the landscaped courtyard and unveiling a public artwork reflecting local participation in the World Wars.

In April 2018, Sydney Trains launched 'Escalation Sensation' - a publicly available 30 minute documentary and historic booklet commemorating the decommissioning of the last wooden escalators at Wynyard and Town Hall stations. The project was part of Sydney Trains Oral History Program, a major initiative to capture and share railway history with our customers and community.

Mount Victoria Station celebrated its 150 years anniversary in May 2018. Sydney Trains collaborated with Mount Victoria Community Association, NSW TrainLink, Transport Heritage NSW and the local history museum to share a weekend of community events including steam train rides, memorabilia displays, speeches and music.

Sydney Trains, in collaboration with the Australian Railway Historic Society (ARHS), launched *The Hawkesbury River Railway Bridges*, a new book by Bill Phippen OAM. The event in May 2017 was marked with a special bridge walk.

Heritage administration

An annual review of the S170 Heritage Conservation Register was completed in June 2018 and submitted to the Heritage Division (Office of Environment and Heritage) via their new 'web-app'. The updated register includes over 126 heritage listing updates with new information, descriptions, updated curtilage plans, photographs and comparative heritage assessment information based on recent asset typological conservation studies.

As part of the Staff Accommodation reform program and delivering a comprehensive movable heritage database, Sydney Trains undertook 66 movable heritage audits at heritage listed places and an additional 23 separate audits at Staff Accommodation offices at Richmond Road, Homebush, Pitt Street, George Street and Burwood. Sydney Trains' Heritage Specialists identified and registered over 500 movable heritage objects at both listed and non-listed heritage sites around the network.

Sydney Trains' Heritage Specialists continued to provide a heritage works approval service to the business under Rail-Specific Exemption delegation from the Minister for Heritage. Over the past 12 months, Sydney Trains heritage specialists approved 273 minor work applications, representing 92 per cent of all minor works undertaken at State Heritage Register places.

Achievements

Project Delivery

In 2017-18, the Operations Planning & Implementation area within Future Network Delivery led and facilitated the readiness, integration and implementation of a range of projects including the *More Trains, More Services* program.

We have upgraded rail infrastructure to allow our complex network to operate at an even greater capacity, including better signalling systems, power supply upgrades and train station improvements. Many of these have formed part of the *More Trains, More Services* program (stage one), which has boosted network capacity through extra services, better infrastructure and new trains.

Key projects delivered in this period include:

- Strathfield ATRICS
- Yennora Sidings upgrade
- Clyde Automatic re-clear
- Newcastle interchange
- 2017 Timetable
- Blacktown High Speed crossover
- Hornsby Junction remodelling
- Parramatta new main route

These projects have increased Sydney Trains' customer-carrying capacity, increased automation, simplified operations and allowed for improved journey times.

Sydney Yard Access Bridge

Sydney Trains supported Sydney Metro's construction of a permanent bridge extending from Regent Street (next to Mortuary Yard) over the intercity tracks into the Sydney Yard. The Sydney Yard Access Bridge (SYAB) involved logistical challenges, due to the city location, architecture, heritage value, safety and environmental factors. Additional possessions and train planning were required during the course of the project.

The Future Network Delivery team worked to ensure minimum impact to Sydney Trains' operational activities. This included collaboration with Sydney Metro and Laing O'Rourke to ensure the safety of personnel and protection of Sydney Trains' assets.

The physical construction of SYAB was completed at the end of July 2018 and then commissioned.

Legislative context

Sydney Trains is a NSW Government agency constituted under the *Transport Administration Act 1988*.

Sydney Trains operates under a Rail Service contract with Transport for NSW. The contract stipulates the NSW Government's expectations regarding service levels, and sets out how Sydney Trains and Transport for NSW will work cooperatively to address service alterations, community consultations, regular service reviews, performance standards and complaints handling.

Sydney Trains provides rail services in its capacity as operator and maintainer under the Rail Services Contract with Transport for NSW. The principal objectives of Sydney Trains are to:

- deliver safe, reliable, effective and efficient rail, passenger and network access services in a financially responsible manner
- ensure that part of the NSW rail network vested in or owned by RailCorp enables safe and reliable railway passenger and freight services and that these services are provided in an efficient, effective and financially responsible manner.

The other statutory objectives of Sydney Trains are to:

- maintain reasonable priority and certainty of access for railway passenger services
- promote and facilitate access to that part of the NSW rail network vested in or owned by RailCorp
- be a successful business, and to that end, operate at least as efficiently as any comparable business, maximising the net worth of the State's investment in Sydney Trains
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- conduct its operations in compliance with rail safety national law and the principles of ecologically sustainable development as contained in section 6(2) of the *Protection of the Environment Administration Act 1991* where its activities affect the environment.



Appendices





Appendix 1: Changes in Acts and subordinate legislation

Acts and subordinate legislation administered by the Minister for Transport and Infrastructure

Minister for Transport and Infrastructure

Broken Hill to South Australian Border Railway Agreement Act 1968

National Rail Corporation (Agreement) Act 1991

Parking Space Levy Act 2009

- *Parking Space Levy Regulation 2009*

Passenger Transport Act 1990

- *Passenger Transport (Drug and Alcohol Testing) Regulation 2010*
- *Passenger Transport Regulation 2007 [to 31.08.2017]*
- *Passenger Transport (General) Regulation 2017 [from 01.09.2017]*

Passenger Transport Act 2014

- *Passenger Transport Regulation 2014*

Rail Safety (Adoption of National Law) Act 2012

- *Rail Safety (Adoption of National Law) Regulation 2012*

Rail Safety National Law (NSW) (South Australian Act adopted for NSW by the above adoption Act)

- *Rail Safety National Law National Regulations 2012 (South Australian Regulations adopted for NSW by the Rail Safety National Law)*

Railway Construction (Maldon to Port Kembla) Act 1983

Transport Administration Act 1988

(The Act except the parts administered by the Minister for Roads, Maritime and Freight being the Act except Part 4A, Divisions 1 to 3, so far as it relates to Roads and Maritime Services, Part 6, and so much of the Act as relates to Roads and Maritime Services)

- *Transport Administration (General) Regulation 2013* (provisions relating to the parts of the Act administered by the Minister for Transport and Infrastructure)
- *Transport Administration (Staff) Regulation 2012* (provisions relating to the parts of the Act administered by the Minister for Transport and Infrastructure)

New Acts and amendments to Acts in the portfolio of the Minister for Transport and Infrastructure

(Acts assented to or commencing during 2017-18)

Rail Safety National Law (South Australia) (Miscellaneous No 3) Amendment Act 2017
(South Australian Act No 14 of 2017)

(Commenced on 01.07.2017)

Transport Administration Amendment (Transport Entities) Act 2017 (2017 No 12)

(Commencement Proclamation 2017 No 330 - Schedule 1 commenced 01.07.2017)

Transport Administration Amendment (Sydney Metro) Act 2018 (2018 No 18)

(Commenced 01.07.2018)

New subordinate legislation and amendments to subordinate legislation in the portfolio of the Minister for Transport and Infrastructure

(Amending Acts, subordinate legislation made or commenced during 2017-18)

Rail Safety National Law National Regulations (Miscellaneous) Variation Regulations 2017 (2017 No 258) (South Australian Regulations)

(Commencement linked to the commencement of the *Rail Safety National Law (South Australia) (Miscellaneous No 3) Amendment Act 2017* (South Australian Act) – Commenced on 01.07.2017)

Transport Administration Amendment (Senior Executive Transitional Arrangements) Regulation 2017 (2017 No 291)

(Commenced on 01.07.2017)

Transport Administration (General) Amendment Regulation 2017 (2017 No 331)

(Commenced on 01.07.2017)

Passenger Transport (General) Regulation 2017 (2017 No 473)

(Commenced on 01.09.2017)

Passenger Transport (General) Amendment (Authorised Officers) Regulation 2017 (2017 No 717)

(Commenced on 15.12.2017)

Statute Law (Miscellaneous Provisions) Act (No 2) 2017 (2017 No 63)

(Sch 4.32 – Commenced on 14.01.2018)

Transport Administration (General) Amendment (Sydney Metro) Regulation 2018 (2018 No 284)

(Commenced on 01.07.2018)

New Acts and amendments to Acts in the portfolio of the Minister for Roads, Maritime and Freight

(Acts assented to or commenced during 2017-18)

Heavy Vehicle National Law and Other Legislation Amendment Act 2016 (Queensland Act No 65 of 2016)

(Assent 09.12.2016. Chapters 2 and 3 only are directly relevant to the National Law. Chapter 3 Maintenance amendments (except ss 118 & 119 which were without effect for NSW due to provisions being omitted) commenced 01.07.2017 (Qld 2017 SL No 102). The automatic commencement of the uncommenced provisions has been postponed to the end of 09.12.2018 (Regulation Qld 2017 No 217))

Heavy Vehicle National Law and Other Legislation Amendment Act 2018 (Queensland Act No 10 of 2018)

(Assent 18.06.2018. Part 4 (ss 12-43) only is directly relevant to the National Law. Some sections are to commence immediately after s 10 of the *Heavy Vehicle National Law and Other Legislation Amendment Act 2016* (not yet commenced); some sections to commence 01.07.2018; remaining sections to commence on a day fixed by proclamation; see s 2)

Appendix 2: Obligations under the GIPA Act

1. Review of proactive release program – Clause 7(a)

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

Sydney Trains makes a range of information available on its website about its operations including:

- a corporate plan which outlines the key priorities and initiatives that Sydney Trains will deliver in the next financial year
- the punctuality of Sydney Trains' fleet for the last five business days for the AM and PM peaks
- maintenance and construction work carried out on Sydney Trains

- information about railway electricity rights
- information about Sydney Trains' environment protection licences
- information about vegetation management near the electrical distribution network Sydney Trains operates
- a database of heritage assets to assist with decisions about maintaining and conserving these assets.

2. Number of access applications received – Clause 7(b)

During the reporting period, Sydney Trains received a total of 137 access applications (including withdrawn applications but not invalid applications).

3. Number of refused applications for Schedule 1 information – Clause 7(c)

During the reporting period, Sydney Trains did not refuse any applications because the information requested was information referred to in Schedule 1 to the GIPA Act.

Statistical information about access applications – Clause 7(d) and Schedule 2:

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	2	7	1	0	0	0	0	4
Members of Parliament	16	4	0	2	0	0	0	0
Private sector business	8	0	0	5	0	0	0	0
Not-for-profit organisations or community groups	1	0	0	0	0	0	0	0
Members of the public (application by legal representative)	19	7	1	6	0	0	0	2
Members of the public (other)	40	3	1	5	0	0	1	5
Total	86	21	3	18	0	0	1	11

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

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	47	8	1	8	0	0	0	5
Access applications (other than personal information applications)	38	13	2	10	0	0	1	6
Access applications that are partly personal information applications and partly other	1	0	0	0	0	0	0	0
Total	86	21	3	18	0	0	1	11

*A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual). The total number of decisions in Table B should be the same as Table A.

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (s 41 of the Act)	14
Application is for excluded information of the agency (s 43 of the Act)	0
Application contravenes restraint order (s 110 of the Act)	0
Total number of invalid applications received	14
Invalid applications that subsequently became valid applications	9

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

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

*More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

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

	Number of occasions when application not successful
Responsible and effective government	5
Law enforcement and security	1
Individual rights, judicial processes and natural justice	16
Business interests of agencies and other persons	6
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	109
Decided after 35 days (by agreement with applicant)	19
Not decided within time (deemed refusal)	1
Total	129

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

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	1	0	1
Internal review following recommendation under s 93 of Act	0	0	0
Review by NCAT	0	0	0
Total	1	0	1

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

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

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see s 54 of the Act)	0

Table I: Applications transferred to other agencies

	Number of applications transferred
Agency-initiated transfers	2
Applicant-initiated transfers	0

Appendix 3: Privacy and Personal Information Protection Act 1998

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

- personal and health information about customers who have been involved in incidents, such as falls on Sydney Trains' property – the information is collected from customers to assist them during and after incidents
- personal information about customers who have witnessed incidents on Sydney Trains' property and provided their details to Sydney Trains
- personal information about customers who have lost property on Sydney Trains' fleet and other railway land
- personal information about customers who provide feedback via the customer feedback line: **131 500**
- personal information about customers who have been infringed for offences such as fair evasion.

Sydney Trains, along with the other agencies in the Transport Cluster, has been working towards creating greater consistency in the management of personal information to achieve the best possible results for members of the public. This work is evidenced in the development of privacy management plans for each transport agency. The plans are designed to provide the highest standard of compliance with the information protection and health records principles in the *Privacy and Personal Information Protection Act 1998* (PIIP Act) and the *Health Records and Information Privacy Act 2002* (HRIP Act).

Sydney Trains' current Privacy Management Plan, published on Sydney Trains' website in August 2016, includes information about the development of policies and practices to ensure compliance by Sydney Trains with the requirements of the PIIP Act and the HRIP Act. This includes the communication of those policies and practices to customers and employees of Sydney Trains, the procedures that Sydney Trains adopts in relation to internal reviews under Part 5 of the PIIP Act, and such other matters considered relevant in relation to privacy and the protection of personal information held by Sydney Trains.

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

The Privacy Officer
Information & Privacy Unit
Transport for NSW
PO Box K659, Haymarket NSW 1240
Phone: 02 8202 3768
Email: privacy@transport.nsw.gov.au

Privacy reviews

During 2017-18, Sydney Trains did not receive any applications for an internal review of conduct relating to the use, access or release of personal information.

Appendix 4: Public Interest Disclosures Act 1994

All Public Interest Disclosures (PID) received by Sydney Trains during 2017-18 were presented to the Ombudsman. The particulars are as follows:

- number of public officials who have made a PID to the public authority: 23
- number of PIDs received by the public authority in total: 27
- number of PIDs received by the public authority relating to each of the following:
 - corrupt conduct: 25
 - maladministration: 1
 - serious and substantial waste of public money: 1
 - government information contravention: 0
 - local government pecuniary interest contraventions: 0
- number of PIDs finalised: 15
- whether the public authority has a PID Policy in place: Yes

Actions taken to ensure staff awareness of responsibilities under s 6E(1)(b) of the Act have been met:

- training by NSW Ombudsman
- training provided by Sydney Trains
- posters in stations and back offices
- PID information contained in Policy and Procedures
- Code of Conduct
- links contained in intranet
- information communicated via briefing papers and staff communication.

Appendix 5: Digital information security policy compliance annual attestation statement

I, Howard Collins, am of the opinion that Sydney Trains had an Information Security Management System (ISMS) in place in both the IT Group Rail Division and the Operational Core Data Network (OCDN) in OT during the FY2017-18 financial year. The ISMS is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

Controls are in place to mitigate identified risks to the digital information and digital information systems of Sydney Trains:

- A. There is no agency under the control of Sydney Trains which is required to develop an independent ISMS in accordance with the *NSW Government Digital Information Security Policy*.
- B. Risks to the digital information and digital information system of Sydney Trains have been assessed in accordance with the *NSW Government Digital Information Security Policy*.
- C. Service providers who managed systems and infrastructure on behalf of Sydney Trains during the FY2017-18 have provided evidence of ISO 27001 compliance.



Howard Collins OBE
Chief Executive
Sydney Trains

31 August 2018

Appendix 6: Internal audit risk management disclosure

Director
Financial Management and Accounting Policy
NSW Treasury
Level 27, 52 Martin Place (127 Phillip Street entrance)
Sydney NSW 2000

TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector – Sydney Trains Attestation Statement

Dear Director,

In accordance with the requirements of TPP15-03, please find attached Sydney Trains' Internal Audit and Risk Management Attestation Statement, attesting that the core requirements were in place for the 2017-2018 financial year.

Regards,



Howard Collins OBE
Chief Executive
Sydney Trains

18 October 2018

Internal Audit and Risk Management Attestation Statement for the 2017–2018 Financial Year for Sydney Trains

I, Howard Collins, am of the opinion that Sydney Trains has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements	Compliant, non-compliant or in transition
Risk management framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal audit function	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Sydney Trains Audit and Risk Committee for the FY2017–2018 are:

- Independent Chair, Peter Housden
- Independent Member 1, Felicity Barr
- Independent Member 2, Todd Davies



Howard Collins OBE
Chief Executive
Sydney Trains

18 October 2018

Appendix 7: Insurance management

Sydney Trains has a comprehensive tailored insurance program in place as part of our risk management strategy. Our insurance program is reviewed annually in consultation with our appointed insurance brokers to protect against insurable risks.

These risks could affect:

- our operations
- our legal liabilities to third parties
- existing assets and those under construction.

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

Appendix 8: Senior executives – gender and average remuneration

Senior Service Level	2016-17			2017-18			Average TRP (\$)		% of total employee-related expenditure relating to Senior Executives	
	F	M	Total	F	M	Total	2016-17	2017-18	2016-17	2017-18
Band 1	14	68	82	22	78	100	247,747	250,142		
Band 2	-	18	18	4	23	27	344,244	354,572	2.1%	2.5%
Band 3	1	3	4	1	2	3	495,605	540,300		

Notes: Senior Service Levels were reclassified in the 2017-18 financial year. In 2016-17, Senior Executives were distributed from SS Level 2 – SS Level 6. To align with current structure, the following reclassification has been followed for the information presented;

- SS Level 2&3 – Band 1
- SS Level 4&5 – Band 2
- SS Level 6 – Band 3

Appendix 9: Workforce diversity

Workforce Diversity Group	2018
Women	18.9%
Aboriginal and/or Torres Strait Islander People	1.2%
People whose First Language Spoken as a Child was not English	2.1%
People with Disability	1.8%
People with Disability Requiring Work-Related Adjustment	0.1%

Workforce Diversity Group	Benchmark	2016	2017	2018
Women	100	94	94	95
Aboriginal and/or Torres Strait Islander People	100	89	86	96
People whose First Language Spoken as a Child was not English	100	98	101	123
People with a Disability	100	99	100	100
People with a Disability Requiring Work-Related Adjustment	100	101	104	N/A

2018 data for workforce diversity groups has been sourced from Transport Equip. In past years, data was sourced from Legacy systems.

Appendix 10: Work health and safety

Sydney Trains' health and safety responsibilities are managed through its Safety Management System that meets its obligation under the *Work Health and Safety Act 2011*. In addition Sydney Trains runs comprehensive health and wellness programs for its employees throughout the year.

Sydney Trains is a licensed self-insurer for worker's compensation held under the *Workers Compensation Act 1987*. Claims management and Return To Work (RTW) services were provided by the Workers Compensation Unit of Transport Shared Services, Transport for NSW, in 2017-18.

In accordance with the provisions of s 38 of the *Work Health and Safety Act 2011*, Sydney Trains notified 44 incidents to SafeWork NSW during the year. These incidents include:

- 21 fatalities as a confirmed or likely consequence of intention to self-harm
- five fatalities as a consequence of misadventure, health condition or self-induced causes such as drug overdose
- four serious injuries to an employee
- four serious injuries to another person.

Sydney Trains incurred no SafeWork NSW prosecutions in 2017-18.

Appendix 11: Customer feedback

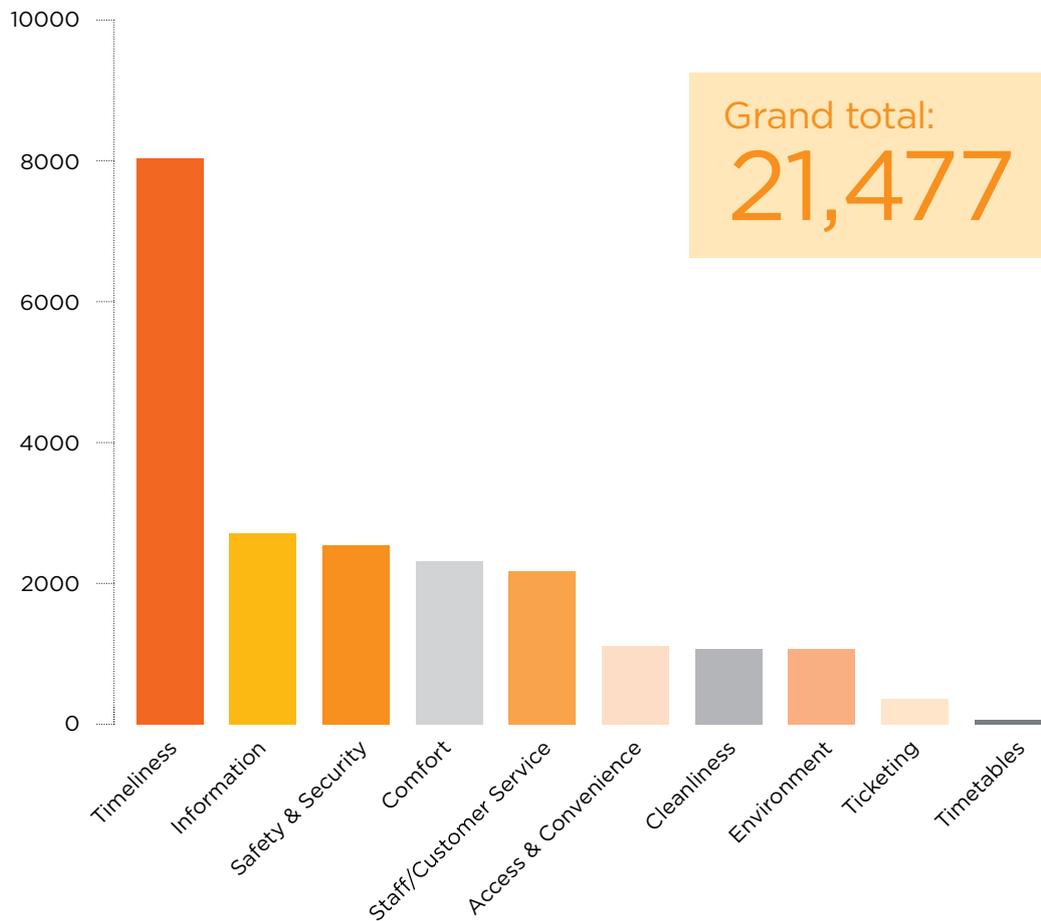
Customers are telling us that reliability of services remains a key priority. Also, when there are service changes, prompt and accurate information is important to our customers.

The top three types of complaint by consumers were Timeliness, Information and Safety and Security. These types of complaints accounted for over 60 per cent of logged complaints from consumers in 2017-18.

For 2017-18, consumer complaints about Information, Safety & Security, Comfort, Staff and Customer Service, Access and Convenience, Cleanliness and Environment, were slightly less than in 2013-14, the last year which saw a major timetable change on the Sydney Trains network.

There has been an increase in customer use of over 25 per cent from 2013-14 to 2017-18. This shows that the service to customers by Sydney Trains has been maintained, as measured by levels of consumer complaints, as the train services have developed to meet the needs of the growing population.

Sydney Train consumer complaints by issue for 2017-18



Changes to data from previous years are due to the ongoing data correction and re-classification.

Appendix 12: Multicultural Policies and Services Program

Under the *Multicultural NSW Act 2000*, Transport for NSW is required to deliver and report against current policies and services which address the NSW's Multicultural Planning Framework.

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

The multicultural plan was reviewed by the Transport Cluster steering committee. The multicultural plan implementation continued to be prioritised across the Transport Cluster. Sydney Trains used the plan to ensure its operations reflect the multicultural nature of its staff and the community in which it operates. Sydney Trains' staff is reflective of the city it serves, with almost one third from racial, ethnic or ethno-religious minority groups resident in the Sydney area.

Sydney Trains continued to participate in numerous multicultural events, including holistic cultural events such as Harmony Day, as well as specific cultural events such as Diwali, International Women's Day, the Eid Festival and National Aboriginal and Islanders Day Observance Committee (NAIDOC) Week. Participation in these activities came from all levels of Sydney Trains. The Sydney Trains Chief Executive, Howard Collins OBE, attended and spoke at many of the Sydney Trains' supported multicultural events. This included NAIDOC Week events that were organised by Sydney Trains' operational and support staff. These multicultural events and other such initiatives were communicated internally throughout Sydney Trains' communications channels. Events in which our employees participated were also supported.

In meeting our commitment to developing our multicultural credentials, in 2017-18 Sydney Trains developed its newly established Aboriginal Employment Unit. The Aboriginal Employment Unit builds pathways into frontline roles for Aboriginal and Torres Strait Islander people. It aims to increase representation in our workforce of Aboriginal and Torres Strait Islander people.

Appendix 13: Accessibility and Disability Action Plan

Transport for NSW's *Disability Action Plan 2012-2017* is part of its strategy to ensure that customer needs are at the centre of planning and decision-making on the transport system. TfNSW holds a quarterly meeting of the Accessible Transport Advisory Committee, which comprises delegates from disability groups across NSW. Sydney Trains is an active member of the forum and has also met with a number of disability groups individually to develop strategies to improve access to rail services and ensure safety is maintained at all times.

The *Disability Action Plan* comprises more than 150 actions impacting all aspects of Transport for NSW's operations. It continues to help deliver high-quality customer service through improved transport accessibility, products and facilities.

Building an accessible transport network

Target	Performance
Progressively undertake works to upgrade railway stations and interchanges to improve access for all customers	<ul style="list-style-type: none"> Continued the replacement of our legacy analogue Public Address (PA) systems with new, state-of-the-art Digital PA systems – now at 129 (of 178) Sydney Trains stations Progressed the rollout of technology to allow station staff to make announcements directly from their mobile phones – a total of 77 Sydney Trains stations now have this capability Installed more hearing loops to support customers with hearing impairment – hearing loops are now turned on at 20 Sydney Trains stations with plans to test and then turn on loops installed at a further 28 stations The Transport Access Program (TAP) planned across 61 stations and scheduled to be delivered between 2019 and 2023.

Improving the journey experience of people with disability

Target	Performance
Introduce practical measures to improve the journey experiences of people with disability or restricted mobility	<p>At 30 June 2018, Sydney Trains had delivered:</p> <ul style="list-style-type: none"> Information screens at 172 (of 178) suburban stations – the remaining six Carlingford Line stations will transition to light rail operation State-of-the-art Digital PA (Public Address) systems at 129 stations, supporting higher-clarity audio announcements Capability for station staff to make announcements from any location at 77 stations Hearing loops to support customers with hearing impairment were turned on at 20 stations; with plans to test and then turn on loops installed at a further 28 stations Announcements at Waverton and Wollstonecraft stations have re-commenced, after a period of approximately eight years. The use of new specialised digital equipment and intensive stakeholder liaison has made this possible and represents a win for both customers with vision impairment and the local community.

Enhancing customer insight and engagement of people with disability or restricted mobility

Target	Performance
Offer tailored journey planning for people with disability	<ul style="list-style-type: none"> Sydney Trains is investigating the development of an application to be used by its station staff that will allow them to provide assistance to customers who have mobility issues requiring assistance, further supporting the use of train services with confidence Vision Australia is working with Simoproject to trial a way-finding solution that delivers positional accuracy. Sydney Trains has committed to assisting with the trial which aims to allow a person with vision impairment to navigate independently from the Vision Australia office in Parramatta to a city location.
Increase our insight into the travel needs of customers with disability and older people through qualitative research on their journey experiences	<ul style="list-style-type: none"> The Accessible Transport Advisory Committee (ATAC), comprising representatives from diverse disability and ageing organisations, met four times to provide expert guidance on access and inclusion to Transport for NSW. With the aim of providing an improved and more consistent experience for customers with disability, Sydney Trains has commenced a review of the disability awareness training it delivers to its station staff on stations. Sydney Trains is seeking to use technology to make its disability awareness training material more practical and engaging.

Appendix 14: Environmental compliance

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

Appendix 15: Investment management performance

In the year ended 30 June 2018, Sydney Trains held cash in the Westpac Treasury Banking System and a term deposit through

a NSW Treasury Corporation arranged facility. The interest earned was 1.85 per cent on the funds invested, which was below the benchmark rate of 1.99 per cent.

Appendix 16: Implementation of price determinations

IPART fare determination limits the average adult fare increase to 13 per cent over the determination period between 1 July 2016 and 30 June 2019 resulting in an average fare increase of 4.2 per cent per annum (including inflation).

In July 2017, the NSW Government elected to increase Opal fares by 2.4 per cent in line with cost of living. The impact on the average customer was approximately 50 cents a week.

Appendix 17: Payment of accounts

Outstanding invoices by age at the end of each quarter:

Quarter	Current (i.e. within due date) \$M	Less than 30 days overdue \$M	Between 30 and 60 days overdue \$M	Between 60 and 90 days overdue \$M	More than 90 days overdue \$M
Suppliers					
Sept-17	84.4	17.2	0.5	0.0	0.0
Dec-17	58.1	11.1	0.1	0.1	0.0
Mar-18	65.3	7.9	0.1	0.0	0.1
Jun-18	116.6	7.8	0.5	0.0	0.6
Small business suppliers					
Sept-17	0.0	0.0	0.0	0.0	0.0
Dec-17	0.3	0.0	0.0	0.0	0.0
Mar-18	0.4	0.0	0.0	0.0	0.0
Jun-18	0.4	0.0	0.0	0.0	0.0

Accounts paid on time within each quarter:

Measure	Sept-17	Dec-17	Mar-18	Jun-18
Suppliers				
Number of accounts due for payment	13,520	26,811	25,668	31,931
Number of accounts paid on time	12,948	25,630	24,292	31,517
Actual % accounts paid on time	96%	96%	95%	99%
\$ amount of accounts due for payment	\$451.2 M	\$642.4 M	\$507.3 M	\$681.1 M
\$ amount of accounts paid on time	\$447.5 M	\$631.8 M	\$495.5 M	\$671.8 M
Actual % accounts paid on time (based on \$)	99%	98%	98%	99%
Number of payments for interest	-	-	-	-
Interest paid on overdue accounts	-	-	-	-
Small business suppliers				
Number of accounts due for payment	337	295	160	207
Number of accounts paid on time	337	295	156	207
Actual % accounts paid on time	100%	100%	98%	100%
\$ amount of accounts due for payment	\$1.9 M	\$2.7 M	\$1.1 M	\$0.8 M
\$ amount of accounts paid on time	\$1.9 M	\$2.7 M	\$1.1 M	\$0.8 M
Actual % accounts paid on time (based on \$)	100%	100%	99%	100%
Number of payments for interest	-	-	-	-
Interest paid on overdue accounts	-	-	-	-

Appendix 18: Grants to non-government community organisations

Sydney Trains did not pay any grants to non-government community organisations in the current year.

Appendix 19: Overseas travel

Officer name	Travel period	Destination	Purpose of travel
Lynn Herisson	18 Aug - 27 Aug	UK	To meet underwriters for the placement of the annual liability and property insurance renewal
Michael Croning	4 Sept - 6 Sept	Germany	To attend at the International Suburban Rail Benchmarking Group Disruption Management Meeting
David Callahan	19 Sept - 22 Sept	Norway	To attend the NOVA Phase 20 Management Meeting
Julian Narborough	9 Sept - 29 Oct	USA	To attend the Harvard Business School Advanced Management Program
Howard Collins OBE	23 Sept - 30 Sept	UK	To attend the Australian British Infrastructure Investment Catalyst Annual Conference
Stewart Tweedie	3 Oct - 7 Oct	Austria	To attend the Wheel Detection Forum 2017
George Gadzuric	3 Oct - 7 Oct	Austria	To attend the Wheel Detection Forum 2017
Susannah Le Bron	30 Oct - 3 Nov	Hong Kong	To attend the International Suburban Rail Benchmarking Group Management Meeting
Stewart Mills	19 Mar - 22 Mar	Hong Kong	To attend at the 20th Asia Pacific Rail Conference
Susannah Le Bron	7 May - 11 May	UK	To attend the Community of Metros (CoMET) Nova Phase 20 Annual Meeting
George Stojkovski	14 May - 18 May	Japan	To attend the International Suburban Rail Benchmarking Group Management Meeting (ISBeRG) Phase 8 meeting
Howard Collins OBE	12 Jun - 15 Jun	New Zealand	To attend the Australasian Railway Association meeting and participate in the Rail Conference

Note: International travel by our staff was to participate in activities that support Sydney Trains' strategic objectives and vision of becoming a world-class railway for a world-class city.

Appendix 20: Payments to consultants

Consultant	Category	Project	Costs \$
Ernst & Young	Engineering	Undertake an independent maintenance model review and assessment	1,603,909
Network Rail Consulting Pty Ltd	Engineering	Strategic business case and feasibility study for the mobile maintenance train	630,186
PWC	Information Technology	ICT infrastructure review	360,000
Deloitte	Management Services	Development of integrated planning and workforce model	337,172
	Information Technology	Provide advice on the IT governance framework	212,732
Arup Pty Ltd	Engineering	Strategic business case and feasibility study for the heavy plant fleet	323,638
Third Horizon Consulting Pty Ltd	Management Services	Provide strategic advice on various operational programs and improvement strategies	146,880
Total contracts of \$50,000 or more (7 contracts)			3,614,517
Total contracts less than \$50,000 (6 contracts)			166,398
Total expenditure for 2017-18			3,780,915

Appendix 21: Waste reduction

Sydney Trains is continually improving its approach to waste and recycling to address the requirements of the Government Resource Efficiency Policy (GREP). During the reporting period, we:

- continued to implement co-mingled recycling bins at stations throughout the metropolitan network
- continued trials to improve customer recycling performance with the use of intuitive, user-friendly signs and decals
- purchased recycled or part-recycled products when appropriate.

Appendix 22: NSW Government Resource Efficiency Policy

The NSW Government has established the Government Resource Efficiency Policy (GREP) to reduce NSW Government's operating costs and lead by example in increasing the efficiency of the resources it uses. Compliance with GREP is mandatory for all general Government-sector agencies on a whole-of-cluster basis, while local government, State-owned corporations, public trading enterprises and public financial enterprises are strongly encouraged to adopt the policy. Sydney Trains reports on its performance against GREP via Transport for NSW.

Appendix 23: Major works in progress

Sydney Trains has no major works in progress as at 30 June 2018.

Appendix 24: Strategic alignment

TfNSW's purpose

Transport for NSW's purpose is to make New South Wales a better place to live, do business and visit by managing and shaping the future of the whole transport system.

TfNSW's values

TfNSW's values define the character of the agency and guide its decision making and behaviour. They are the standards it sets for interactions with its customers, the community and stakeholders, the way that its people work with each other every day, and the principles TfNSW expects to see upheld by its partners in the Transport Cluster.

TfNSW's values are:

- **Customer focus:** We place the customer at the centre of everything we do
- **Collaboration:** We value each other and create better outcomes by working together
- **Solutions:** We deliver sustainable solutions to NSW's transport needs
- **Integrity:** We take responsibility and communicate openly
- **Safety:** We prioritise safety for our people and our customers.

TfNSW's values are enabled by Sydney Trains' SPACE behaviours: Safety, Pride, Accountability, Collaboration and Excellence.

Transport Outcome Framework

The Transport Outcomes Framework (TOF) is an overarching framework that articulates the social and economic outcomes that the Transport Cluster seeks to achieve.

The TOF is comprised of two elements:

- the customer value chain, which describes customer priorities and requirements for respective modes of transport and the way in which these shape services and operations delivered
- the outcomes hierarchy, which describes the high-level social and economic outcomes that Transport delivers for NSW across all modes and services.

TfNSW Services and Operations Plan (SOP)

The SOP defines the high-level service and operational goals, objectives and funding requirements across the Transport Cluster, and outlines current operations and proposed future changes in light of long-term strategies and goals defined by TfNSW and the NSW State Government.

The SOP outlines a number of key customer outcomes for rail including:

- increase passenger capacity
- provide customer-focused services
- improved network resilience and reliability
- fewer disruptions and quicker recovery from disruptions.

Total Asset Management (TAM) Plan

TAM is a strategic approach to physical asset planning and management, outlining the asset and capital requirements to deliver service priorities and strategies. Sydney Trains works with TfNSW to develop and manage assets in accordance with NSW Government's *Total Asset Management Policies*.

Appendix 25: External Annual Report production costs

The Sydney Trains Annual Report was produced in house.

Contractors were employed to ensure the Sydney Trains Annual Report complied with Web Content Accessibility Guidelines at a cost of \$9207 as per Premier's Circular 2012-18 NSW Government Website Management.

Abbreviations and acronyms





Abbreviations and acronyms

ACJPs	Alternate Customer Journey Plans
AMP	Asset Management Plan
ATRICS	Advanced Train Running Information Control System
CIA	Customer Impact Analysis
CIP	Customer Information Program
CXMP	Customer Experience Management Program
DTRS	Digital Train Radio System
EAM	Enterprise Asset Management
FCU	Fare Compliance Unit
GIPA	Government Information (Public Access)
HAMS	Heritage Asset Management Strategy
HMC	Hornsby Maintenance Centre
HRIP	Health Records and Information Privacy
ISBRG	International Suburban Rail Benchmarking Group
LLDVA	Long Line Digital Voice Announcements
LTIFR	Lost Time Injury Frequency Rate
NAIDOC	National Aborigines and Islanders Day Observance Committee
OSI	Operational Safety Index
PID	Public Interest Disclosure
PPIP	Privacy and Personal Information Protection
PV	Photovoltaic
ROC	Rail Operations Centre
RSC	Rail Services Contract
RTTA	Real time Train Application
SPACE	Safety, Pride, Accountability, Collaboration and Excellence
SPAD	Signal Passed at Danger
SPI	Station Platform Indicator
SOP	Services and Operations Plan
SYAB	Sydney Yard Access Bridge
TAM	Total Asset Management
TCSI	Transport Customer Satisfaction Index
TfNSW	Transport for NSW
TGI	Track Geometry Index
TLS	Train Location System
TOF	Transport Outcomes Framework
TCQL	Train Crew Quick Links





Sydney Trains

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Annual Report

Sydney Trains

2017-18 • Volume 2

Sydney Trains

Financial Statements 2017-2018



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Statement by the Chief Executive

In relation to the Financial Statements for the year ended 30 June 2018

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

- (a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of Sydney Trains as at 30 June 2018 and of its financial performance for the year ended 30 June 2018.
- (b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015, Australian Accounting Standards, which includes Australian Accounting Interpretations and Financial Reporting Directions mandated by the Treasurer.
- (c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Howard Collins OBE
Chief Executive

20 September 2018

(Start of audited financial statements)

Statement of Comprehensive Income for the year ended 30 June 2018

	Note	2017-18 \$'000	2016-17 \$'000
Income			
Passenger services revenue		852,677	779,644
Non passenger revenue	3.1	1,258,339	1,239,003
Investment revenue	3.2	11,346	9,248
Income from operating activities		2,122,362	2,027,895
Expenses			
Operating expenses			
- Employee related expenses	4.1	1,249,205	1,156,821
- Personnel service expenses	4.3	123,263	110,212
- Other operating expenses	4.4	2,026,558	1,957,549
Depreciation and amortisation	9.2, 10.2	145,127	149,265
Finance costs	4.6	169,682	158,078
Total expenses		3,713,835	3,531,925
Deficit from operations before Government contributions		(1,591,473)	(1,504,030)
Government contributions	3.3	1,374,581	1,339,627
Deficit for the year from continuing operations		(216,892)	(164,403)
Other Comprehensive Income			
<i>Items that may be reclassified to surplus/deficit</i>			
Net gain/(loss) in foreign exchange		1,093	(4,885)
Net gain/(loss) in commodity swaps		6,751	(737)
Hedge reserve reclassification		474	(3,467)
<i>Items that will not be reclassified to surplus/deficit</i>			
Revaluation of property, plant and equipment		(5,000)	-
Superannuation actuarial gains/(losses) on defined benefit schemes		12,260	128,780
Total Other Comprehensive Income for the year		15,578	119,691
Total Comprehensive Income for the year		(201,314)	(44,712)

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

Statement of Financial Position as at 30 June 2018

	Note	30.6.2018 \$'000	30.6.2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	364,365	288,403
Trade and other receivables	6.1	286,652	314,650
Inventories	7	17,779	16,212
Derivative financial instruments		3,276	277
Other financial assets	8	200,000	200,000
Total current assets		872,072	819,542
Non-current assets			
Inventories	7	31,062	28,338
Property, plant and equipment	9	2,858,081	2,978,583
Intangible assets	10	155,691	174,993
Derivative financial instruments		1,621	70
Total non-current assets		3,046,455	3,181,984
Total assets		3,918,527	4,001,526
Liabilities			
Current liabilities			
Trade & other payables	11	495,696	384,621
Provisions	13	408,974	402,098
Derivative financial instruments		464	2,497
Total current liabilities		905,134	789,216
Non-current liabilities			
Finance lease liabilities	12	2,036,625	2,027,291
Provisions	13	497,103	494,398
Derivative financial instruments		5	1,267
Total non-current liabilities		2,533,733	2,522,956
Total liabilities		3,438,867	3,312,172
Net assets		479,660	689,354
Equity			
Contributed equity	14.1	1,176,359	1,184,739
Reserves		441,860	439,339
Retained earnings		(1,138,559)	(934,724)
Total equity		479,660	689,354

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 2018

	Note	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation \$'000	Other reserves \$'000	Total \$'000
Balance at 1 July 2017		1,184,739	(934,724)	446,223	(6,884)	689,354
Surplus/(deficit) for the year		-	(216,892)	-	-	(216,892)
Reserves transferred to/(from) retained earnings		-	797	(797)	-	-
Other Comprehensive Income						
Net gain/(loss) in foreign exchange		-	-	-	1,567	1,567
Net gain/(loss) in commodity swap		-	-	-	6,751	6,751
Increase/(decrease) in asset revaluation reserve		-	-	(5,000)	-	(5,000)
Superannuation actuarial gains/(losses) on defined benefit schemes		-	12,260	-	-	12,260
Total Other Comprehensive Income for the year		-	12,260	(5,000)	8,318	15,578
Total Comprehensive Income for the year		-	(203,835)	(5,797)	8,318	(201,314)
Transactions with owners in their capacity as owners		-	-	-	-	-
Increase/(decrease) in net assets from equity transfers (contribution by owners)	14.2	(8,380)	-	-	-	(8,380)
Balance at 30 June 2018		1,176,359	(1,138,559)	440,426	1,434	479,660
Balance at 1 July 2016		1,207,094	(900,833)	447,955	2,205	756,421
Surplus/(deficit) for the year		-	(164,403)	-	-	(164,403)
Reserves transferred to/(from) retained earnings		-	1,732	(1,732)	-	-
Other Comprehensive Income						
Net gain/(loss) in forward foreign exchange		-	-	-	(8,352)	(8,352)
Net gain/(loss) in commodity swaps		-	-	-	(737)	(737)
Superannuation actuarial gains/(losses) on defined benefit schemes		-	128,780	-	-	128,780
Total Other Comprehensive Income for the year		-	128,780	-	(9,089)	119,691
Total Comprehensive Income for the year		-	(33,891)	(1,732)	(9,089)	(44,712)
Transactions with owners in their capacity as owners		-	-	-	-	-
Increase/(decrease) in net assets from equity transfers (contribution by owners)	14.2	(22,355)	-	-	-	(22,355)
Balance at 30 June 2017		1,184,739	(934,724)	446,223	(6,884)	689,354

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 2018

	Note	2017-18 \$'000	2016-17 \$'000
Cash flows from operating activities			
<i>Cash received</i>			
Passenger services		934,844	845,082
Receipts from customers and others		1,466,097	1,418,850
Government contributions - operating		1,354,804	1,277,189
Interest received		12,734	10,022
Total cash received		3,768,479	3,551,143
<i>Cash used</i>			
Payments to suppliers and others		(2,231,146)	(2,323,475)
Payments to employees		(1,296,594)	(1,217,876)
Interest paid on finance lease		(160,348)	(146,601)
Total cash used		(3,688,088)	(3,687,952)
Net cash flows from/(used in) operating activities	5.2	80,391	(136,809)
Cash flow from investing activities			
<i>Cash received</i>			
Government contributions - capital		13,690	58,300
Total cash received		13,690	58,300
<i>Cash used</i>			
Property, plant and equipment and intangible assets acquisitions		(18,119)	(23,305)
Bank deposits more than 90 days		-	(200,000)
Total cash used		(18,119)	(223,305)
Net cash flows from/(used in) investing activities		(4,429)	(165,005)
Cash flows from financing activities			
<i>Cash received</i>			
Total cash received		-	-
<i>Cash used</i>			
Total cash used		-	-
Net cash flows from/(used in) financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		75,962	(301,814)
Cash and cash equivalents at beginning of year		288,403	590,217
Cash and cash equivalents at end of year	5.1	364,365	288,403

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 1 Reporting entity and financial statements

(a) Reporting entity

Sydney Trains is a Statutory Authority constituted on 7 December 2012 under the *Transport Administration Act 1988 (NSW)* and is a scheduled entity under the *Public Finance and Audit Act 1983 (NSW)*. It is domiciled in Australia and its principal office is at 477 Pitt Street Sydney, NSW 2000. Sydney Trains' objective is to deliver safe, customer focused, reliable and clean rail services in an efficient, effective and financially responsible manner. Sydney Trains is accredited under the Rail Safety National Law (NSW) as a rail transport operator.

Sydney Trains operates services across metropolitan Sydney and the area bounded by Berowra, Emu Plains, Macarthur and Waterfall. Sydney Trains is responsible for the maintenance of rail assets and has a contract with NSW Trains to maintain rolling stock, infrastructure and stations utilised by NSW Trains. Rail Corporation New South Wales (RailCorp) provides access to the rail network, stations, majority of property and certain rolling stock at no charge to Sydney Trains in accordance with the Rail Services Contract with Transport for NSW (TfNSW).

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

(b) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the Financial Statements.

Where required, comparative information has been reclassified to align with the current year

(c) Authorisation of the Financial Statements

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

(d) Statement of compliance

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.1 Basis of preparation

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

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations. However, property, plant and equipment and derivative financial assets and liabilities are measured at fair value. Refer Notes 2.11(ii) and 2.9(ii). Certain liabilities are calculated on a present value basis such as leave entitlements and other provisions.

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

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

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

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

2.1.1 Going concern

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

2.1.2 Change in accounting policy

There is no change to accounting policies in 2017-18.

2.2 Significant accounting judgements, estimates and assumptions

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

In particular refer Note 9.3, Note 13 and Note 17.

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies (continued)

2.3 Income

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

(i) Passenger services revenue

Proceeds from OPAL train trips are reported as passenger services revenue. Revenue is recognised when the service is performed. OPAL card is managed by TfNSW. Remittance of OPAL passenger revenue is on the basis of journeys taken based on the output from the electronic ticketing system as agreed with TfNSW.

(ii) Non passenger revenue

Inter entity cost recovery

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

Sale of assets and goods

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

Fines and penalties

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

Rendering of services

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

The stage of completion of a construction contract is determined by comparing the cost incurred to date with the estimated total cost of the contract. Refer Note 3.1.

Contribution from RailCorp

Sydney Trains receives a contribution from RailCorp. The contribution is recognised when Sydney Trains obtains control of the cash which is upon receipt.

(iii) Investment revenue

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.

Rental income

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.3 Income (continued)

(iv) Government contributions

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

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

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 expenditure contributions. That presentation has been adopted as it is a more informative representation of the operating result with reference to Sydney Trains' sources of funding.

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

2.4 Personnel services expenses

Personnel services expenses include salaries and wages, leave entitlements and superannuation for contract staff employed by TS. Sydney Trains recognises the expenses when incurred. Refer Note 4.3.

2.5 Depreciation and amortisation

(i) Depreciation

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

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

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

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

	Years
Buildings	20-100
Rolling stock	32 - 35
Plant and machinery	4 - 22

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

(ii) Amortisation

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

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.5 Depreciation and amortisation (continued)

(ii) Amortisation (continued)

Each intangible asset's useful life and amortisation method are reviewed each year and any resulting adjustments are accounted for as a change in accounting estimate. The amortisation charge for each year is recognised in the Statement of Comprehensive Income as depreciation and amortisation expense unless it is included in the carrying amount of another asset.

2.6 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand, at call deposits, short-term deposits with a maturity of 90 days or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits greater than 90 days are classified as Other Financial Assets.

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

Refer Note 5.

2.7 Trade and other receivables

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

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

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

Refer Note 6.

2.8 Inventories

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

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.8 Inventories (continued)

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

Refer Note 7.

2.9 Property, plant and equipment

(i) Recognition

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

A component is accounted for separately if it:

- has a useful life materially different from that of the prime asset and therefore requires separate replacement during the life of the prime asset
- is significant enough to justify separate tracking
- is capable of having a reliable value attributed to it.

A dedicated spare part does not normally have a useful life of its own. Dedicated spares purchased specifically for a particular asset, or class of assets, and which would become redundant if that asset or class were retired or use of that asset or class were discontinued, are considered to form part of the historical cost of that asset or class.

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

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

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

An item of property, plant and equipment in the course of construction is classified as capital work in progress. An item leased to a lessee under an operating lease continues to be recognised as property, plant and equipment and is classified according to the nature of the asset.

(ii) Measurement

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.9 Property, plant and equipment (continued)

(ii) Measurement (continued)

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

Non-specialised assets with short useful lives such as minor plant and equipment are measured at depreciated historical cost as a proxy for fair value. Sydney Trains has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

Property, plant and equipment is revalued, at least once every 5 years with the exception of buildings which is revalued every 3 years where the market approach is used or with sufficient regularity to ensure the carrying amount of the asset does not materially differ to its fair value in accordance with TPP 14-1 *Accounting Policy: Valuation of Physical Non- Current Assets at Fair Value* (TPP14-1). As existing natural, legal, financial or socio-political restrictions on asset use or disposal generally prevent any alternative use being feasible within the next 5 years, highest and best use is taken to be existing use. An interim revaluation in accordance with TPP14-1 will be undertaken as appropriate where a cumulative movement in indexes exceeds 12%.

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

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

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

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

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

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

(iii) Derecognition

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

On derecognition of an item of property, plant and equipment, any gain or loss or any related compensation receivable is recognised in the Statement of Comprehensive Income. Any revaluation increase remaining in the asset revaluation reserve in respect of a derecognised asset is transferred to retained earnings. Refer Note 9.

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.9 Property, plant and equipment (continued)

(iv) Impairment of property, plant and equipment

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

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

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

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

2.10 Intangible assets

(i) Recognition

An identifiable, non-monetary asset without physical substance (such as computer software that is not integral to the related hardware) is recognised as an intangible asset if it has service potential controlled by Sydney Trains, is expected at acquisition to be used for more than 1 year, and has a cost or value that:

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.10 Intangible assets (continued)

(ii) Measurement

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

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

(iii) Derecognition

An intangible asset is derecognised either on disposal or when its service potential ceases and it is not expected to have any disposal value. On derecognition, any gain or loss is recognised in the Statement of Comprehensive Income. Refer Note 10.

(iv) Impairment of intangible assets

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

2.11 Financial instruments

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

(i) Recognition

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

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

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

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

(ii) Measurement

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

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.11 Financial instruments (continued)

(iii) Hedging

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

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

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

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

(iv) Hedge accounting

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

Hedge accounting is used on all Sydney Trains exposures. For all hedges:

- the hedging relationship is formally designated and documented at the inception of the hedge
- the hedge is expected to be highly effective
- the effectiveness is measurable, assessed on a quarterly basis and is actually achieved
- the hedged forecast transaction remains highly probable.

Hedge accounting is discontinued when the hedging instrument expires, is sold, is terminated, is exercised, no longer meets the hedge accounting criteria, has its designation revoked, or if the hedged forecast transaction is no longer expected to occur. Generally, any associated cumulative gain or loss in the Hedging Reserve is only transferred out when the hedged cash flow eventually occurs. However, if the hedged transaction is no longer expected to occur, the gain or loss is immediately transferred to the Statement of Comprehensive Income. Refer Note 18.

2.12 Offsetting financial assets and liabilities

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

2.13 Impairment of financial assets

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.13 Impairment of financial assets (continued)

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

2.14 Foreign currency translation

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

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

2.15 Trade and other payables

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

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

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

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

Refer Note 11.

2.16 Provisions

(i) Provisions generally

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

A provision is recognised when:

- there is a likely present legal or constructive obligation as a result of a past event
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation.

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies (continued)

2.16 Provisions (continued)

(ii) Employee benefits

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

Liabilities for short term employee benefits are measured at the present value of the amount expected to be paid when the liability is settled, provided it is expected to be settled wholly within twelve months of the end of the reporting period. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

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

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

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

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

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

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

The amount recognised in the Statement of Comprehensive Income for superannuation is the net total of current service cost and the net interest. Actuarial gains or losses for superannuation are recognised in other comprehensive income.

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies (continued)

(ii) Employee benefits (continued)

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

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

Refer Note 13.

2.17 Leases

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

(i) Details of PPP finance leasing arrangements

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

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

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

(ii) Accounting treatment – operating leases

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies (continued)

2.17 Leases (continued)

(iii) Accounting treatment – finance leases

As lessee

Finance leases, which transfer to Sydney Trains substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were capitalised in accordance with AASB 123.

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

Refer Note 15.2.

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

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

Refer Note 2.3.

2.18 Contributed equity

In accordance with TPP 09-3 *Accounting Policy: Contribution by owners made to wholly-owned public sector entities*, a transfer of assets (or liabilities) from (or to) another NSW public sector entity is treated as a contribution by (or distribution to) the Government and recognised as contributed equity.

Refer Note 14.

2.19 Taxes

(i) Income tax equivalents

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

(ii) Goods and Services Tax

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.20 Fair value hierarchy

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

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

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

Refer Notes 17 and 18.

2.21 Adoption of new and revised Accounting Standards

The Financial Statements have adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Sydney Trains effective for the annual reporting periods ending 30 June 2018. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to Sydney Trains accounting policies. Sydney Trains did not early adopt any new accounting standards and interpretations that are not yet effective in accordance with NSW Treasury mandates.

The following new Accounting Standards and Interpretations apply to Sydney Trains, however have not been adopted and are not effective at 30 June 2018. The standards are effective for annual reporting periods commencing on or after 1 January 2018.

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 9	Financial Instruments	Dec 2014	1 Jan 2018
AASB 15	Revenue from Contracts with Customers	Oct 2015	1 Jan 2019
AASB 16	Leases	Feb 2016	1 Jan 2019
AASB 17	Insurance Contracts	Jul 2017	1 Jan 2021
AASB 1058	Income of Not-for-Profit Entities	Dec 2016	1 Jan 2019
AASB 1059	Service Concession Arrangements: Grantors	Jul 2017	1 Jan 2019
AASB 2014-1	Amendments to Australian Accounting Standards [Operative dates: Parts A-C – 1 Jul 2014; Part D – 1 Jan 2016; Part E – 1 Jan 2018]	Jun 2014	1 Jan 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	Dec 2014	1 Jan 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	Dec 2014	1 Jan 2018
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	Oct 2015	1 Jan 2018
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	May 2016	1 Jan 2018
AASB 2016-6	Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	Oct 2016	1 Jan 2018

Notes to the Financial Statements for the year ended 30 June 2018

Note 2 Summary of significant accounting policies

2.21 Adoption of new and revised Accounting Standards (continued)

AASB / Amendment	Title	Issue Date	Application date of Standard
AASB 2016-7	Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	Dec 2016	1 Jan 2018
AASB 2016-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	Dec 2016	1 Jan 2019
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	Feb 2017	1 Jan 2019
AASB 2017-3	Amendments to Australian Accounting Standards - Clarifications to AASB 4	Jul 2017	1 Jan 2018
AASB 2017-6	Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	Dec 2017	1 Jan 2019
AASB 2018-1	Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	Feb 2018	1 Jan 2019
AASB 2018-2	Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement [AASB 119]	Mar 2018	1 Jan 2019

Sydney Trains is assessing impact of Accounting Standards that are issued but not yet effective:

- AASB 15 *Revenue from Contracts with Customers* - provides a single comprehensive revenue recognition framework. The standard may impact the timing of revenue recognition in future years and will required changes to Sydney Trains' accounting policies from July 2019
- AASB 16 *Leases* - introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The standard will impact mainly lessees with operating lease arrangements. Sydney Trains will be required to recognise a right of use asset and a right of use liability in the Statement of Financial Position in relation to operating lease arrangements. In addition, there will be an interest and depreciation charge in the Statement of Comprehensive Income. The standard is applicable to Sydney Trains from 1 July 2019.
- AASB 1058 *Income of Not-for-Profit Entities* - clarifies and simplifies the revenue recognition requirements that apply to not-for-profit entities. The timing of revenue recognition will depend on whether the transaction gives rise to a liability, a performance obligation or a contribution by owner related to an asset received by an entity. The standard may impact the timing of revenue recognition in future years. The standard is applicable to Sydney Trains from 1 July 2019.
- AASB 1059 *Service Concession Arrangements: Grantors* - applies to arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector grantor. The standard will require the grantor to recognise a service concession asset and liability in the Statement of Financial Position at initial recognition. The standard is applicable to Sydney Trains from 1 July 2019.

The impact of the above standards is not anticipated to be significant, with the exception of AASB 16 *Leases* which is yet to be quantified.

Notes to the Financial Statements for the year ended 30 June 2018

Note 3 Income

3.1 Non passenger revenue

	2017-18 \$'000	2016-17 \$'000
Inter entity cost recovery	675,439	598,421
Construction revenue RailCorp	453,540	577,081
Advertising revenue	30,379	27,540
Fines and penalties	8,432	10,190
Inter entity direct labour cost recovery	3,794	3,911
Contribution from RailCorp	62,500	-
Other revenue	24,255	21,860
Total non passenger revenue	1,258,339	1,239,003

3.2 Investment revenue

Interest	11,346	9,248
Total investment revenue	11,346	9,248

3.3 Government contributions

Operating	1,327,112	1,251,268
Capital	13,690	58,300
Redundancy	27,670	25,768
Personnel services benefit	6,087	4,138
Training	22	153
Total government contributions	1,374,581	1,339,627

Notes to the Financial Statements for the year ended 30 June 2018

Note 4 Expenses

4.1 Employee related expenses

Employee related expenses include the following items:

	Note	2017-18 \$'000	2016-17 \$'000
Salaries and wages		962,477	923,743
Annual leave		82,931	84,700
Long service leave		35,081	6,183
Superannuation-defined benefit plans	4.2	27,114	29,271
Superannuation-defined contribution plans		74,162	70,899
Workers compensation		14,158	12,953
Payroll tax and fringe benefits tax		67,240	63,461
Redundancy		16,212	26,950
Other payroll costs		36,521	21,992
Less: Employee related expenses allocated to capital expenditure		(384)	(600)
Less: Employee related expenses allocated to capital construction*		(66,307)	(82,731)
Total employee related expenses		1,249,205	1,156,821

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

4.2 Defined benefit superannuation plan expense/(income)

Current service cost		15,533	18,258
Net interest		11,581	11,013
Total defined benefit superannuation expense/(income)	20	27,114	29,271

4.3 Personnel services expenses

Salaries and wages		90,853	82,997
Annual leave		9,093	8,565
Long service leave		4,870	2,925
Superannuation-defined benefit plan		1,135	1,149
Superannuation-defined contribution		7,855	6,754
Workers compensation		236	67
Payroll and fringe benefit tax		6,306	5,825
Redundancy		5,579	4,492
Other payroll costs		58	244
Less: Personnel services expenses allocated to capital expenditure		(46)	-
Less: Personnel services expenses allocated to capital construction*		(2,676)	(2,806)
Total personnel services expenses		123,263	110,212

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 4 Expenses (continued)

4.4 Other operating expenses

	2017-18 \$'000	2016-17 \$'000
Other contractors	506,785	414,218
Construction costs	453,540	577,081
External maintenance costs	263,751	258,744
Materials	127,681	120,975
Inter entity charges	252,298	198,682
Electricity	137,512	73,659
Plant and equipment	59,113	73,992
Bus hire	35,968	26,795
Computer expenses	53,353	70,773
Insurance	14,660	13,669
Security costs	25,602	25,473
Motor vehicle expenses	18,234	20,274
Printing & stationery	5,377	6,765
Consultants	3,781	2,569
Auditor's remuneration - audit of the financial statements	303	320
Cost of sales	24,955	22,710
Cost of inventory held for distribution	19,409	22,369
Impairment losses	224	55
Other	24,012	28,426
Total other operating expenses	2,026,558	1,957,549

4.5 Maintenance expenses

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

Labour	314,563	323,180
Contracted & other non-labour expenditure	780,870	733,222
Total maintenance expenses	1,095,433	1,056,402

In addition included in construction costs is \$186.3m (2017: \$203.0m) major periodic maintenance which is charged to RailCorp and capitalised in RailCorp.

4.6 Finance costs

Interest charges	169,682	158,078
Total finance costs	169,682	158,078

Notes to the Financial Statements for the year ended 30 June 2018

Note 5 Cash and cash equivalents

5.1 Cash and cash equivalents

	30.6.2018 \$'000	30.6.2017 \$'000
Cash at bank	364,365	288,403
Total cash and cash equivalents	364,365	288,403

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

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

Deficit for the year from continuing operations	(216,892)	(164,403)
Cash capital grants	(13,690)	(58,300)
Depreciation and amortisation	145,127	149,265
Impaired trade receivables expense	224	55
Derecognition and write off of assets	979	1,080
Other reclassification adjustments/discounting	474	(3,467)
Net movements in assets and liabilities applicable to operating activities:		
(Increase)/decrease in trade and other receivables	27,773	6,121
(Increase)/decrease in inventories	(4,291)	(2,164)
Increase/(decrease) in trade and other payables and provisions	140,687	(64,996)
Net cash flows from/(used in) operating activities	80,391	(136,809)

5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available are:

	30.6.18 Credit Facilities \$'000	30.6.18 Unused \$'000	30.6.17 Credit Facilities \$'000	30.6.17 Unused \$'000
Transaction negotiation authority	130,150	130,150	130,150	130,150
Purchasing card facility *	30,000	4,366	30,000	5,129
Come and Go facility	30,000	30,000	30,000	30,000
Total	190,150	164,516	190,150	165,279

* As at 30 June 2018, the purchasing cards issued had a combined limit of \$25.6m (2017: \$24.9m) with a payable of \$8.1m (2017: \$6.9m).

5.4 Non-cash investing activities

In 2017-18, Sydney Trains transferred rolling stock of \$8.4m to RailCorp in the current year (2017: \$22.4m).

Refer Note 14.2.

Notes to the Financial Statements for the year ended 30 June 2018

Note 6 Trade and other receivables

6.1 Trade and other receivables

	30.6.2018 \$'000	30.6.2017 \$'000
Current trade and other receivables		
Sale of goods and services	3,183	2,191
Inter entity receivables	224,517	268,751
Other receivables	55,233	36,803
Less: allowance for impairment	(287)	(240)
	282,646	307,505
Prepayments	4,006	7,145
Total current trade and other receivables	286,652	314,650

Movements in the allowance for impairment were as follows:

Balance at beginning of year	240	201
Bad debts expense	(199)	(19)
Allowance recognised in Statement of Comprehensive Income	224	55
GST movement	22	3
Balance at end of year	287	240

6.2 Impaired trade and other receivables

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

1 to 3 months	61	34
3 to 6 months	59	55
over 6 months	167	151
Balance at end of year	287	240

6.3 Past due but not impaired receivables

The ageing analysis of these receivables is as follows:

1 to 3 months	10,294	3,310
3 to 6 months	147	21
Over 6 months	94	12
Balance at end of year	10,535	3,343

6.4 Nature and extent of risk arising from receivables

Information about Sydney Trains' exposure to credit risk in relation to trade and other receivables is provided in Note 18.

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.

Notes to the Financial Statements for the year ended 30 June 2018

Note 7 Inventories

	30.6.2018 \$'000	30.6.2017 \$'000
Materials and supplies, at cost	61,393	58,143
Work in progress	-	279
	61,393	58,422
Less: allowance for obsolete inventory	(12,552)	(13,872)
Total inventories	48,841	44,550
Total inventories are comprised of:		
Current inventories	17,779	16,212
Non-current inventories	31,062	28,338
Total	48,841	44,550

Note 8 Other financial assets

	30.6.2018 \$'000	30.6.2017 \$'000
Term deposits	200,000	200,000
Total other financial assets	200,000	200,000

Notes to the Financial Statements for the year ended 30 June 2018

Note 9 Property, plant and equipment

9.1 Classes

	30.6.2018 \$'000	30.6.2017 \$'000
Leased building		
Gross carrying amount	252,338	249,262
Less accumulated depreciation	(18,961)	(15,405)
Net carrying amount - leased building	233,377	233,857
Leased rolling stock		
Gross carrying amount	2,698,979	2,698,835
Less accumulated depreciation and impairment*	(444,694)	(355,161)
Net carrying amount - leased rolling stock	2,254,285	2,343,674
Leased plant and machinery		
Gross carrying amount	5,844	5,844
Less accumulated depreciation	(3,056)	(2,662)
Net carrying amount - leased plant and machinery	2,788	3,182
Rolling stock		
Gross carrying amount	559,392	609,175
Less accumulated depreciation	(226,233)	(250,176)
Net carrying amount - rolling stock	333,159	358,999
Plant and machinery		
Gross carrying amount	61,859	64,817
Less accumulated depreciation	(45,630)	(44,857)
Net carrying amount - plant and machinery	16,229	19,960
Capital work in progress		
Capital work in progress	18,243	18,911
Total - capital work in progress	18,243	18,911
Total property, plant and equipment	2,858,081	2,978,583

* In 2017-18, Sydney Trains recognised an impairment loss of \$5m in Other Comprehensive Income as a result of an incident to a leased rolling stock asset. Sydney Trains has impaired the asset as the rolling stock is currently not in service. The asset's recoverable amount is \$22m which is the fair value.

Notes to the Financial Statements for the year ended 30 June 2018

Note 9 Property, plant and equipment (continued)

9.2 Asset class movement

	Leased Building \$000	Leased Rolling stock \$000	Leased Plant and machinery \$000	Rolling stock \$000	Plant and machinery \$000	Capital works in progress \$000	Total \$000
Year ended 30 June 2018							
Net carrying amount as at 1 July 2017	233,857	2,343,674	3,182	358,999	19,960	18,911	2,978,583
Additions	-	-	-	-	-	2,798	2,798
Completed capital work	3,076	144	-	-	246	(3,466)	-
Disposals/derecognition/write-offs	-	-	-	-	(151)	-	(151)
Depreciation expense	(3,556)	(84,533)	(394)	(17,460)	(3,826)	-	(109,769)
Transfer to RailCorp	-	-	-	(8,380)	-	-	(8,380)
Impairment loss	-	(5,000)	-	-	-	-	(5,000)
Net carrying amount as at 30 June 2018	233,377	2,254,285	2,788	333,159	16,229	18,243	2,858,081
Year ended 30 June 2017							
Net carrying amount as at 1 July 2016	237,162	2,427,831	3,571	401,049	21,820	13,872	3,105,305
Additions	-	-	-	-	-	5,052	5,052
Completed capital work	-	-	-	-	-	-	-
Disposals/derecognition/ write-offs	-	-	-	-	88	(13)	75
Depreciation expense	(3,305)	(84,157)	(389)	(19,695)	(1,948)	-	(109,494)
Transfer to RailCorp	-	-	-	(22,355)	-	-	(22,355)
Net carrying amount as at 30 June 2017	233,857	2,343,674	3,182	358,999	19,960	18,911	2,978,583
Gross carrying amount							
At 1 July 2016	249,262	2,698,835	5,844	715,851	72,912	13,872	3,756,576
At 30 June 2017	249,262	2,698,835	5,844	609,175	64,817	18,911	3,646,844
At 1 July 2017	249,262	2,698,835	5,844	609,175	64,817	18,911	3,646,844
At 30 June 2018	252,338	2,698,978	5,844	559,392	61,859	18,243	3,596,654
Accumulated depreciation							
At 1 July 2016	(12,100)	(271,004)	(2,273)	(314,802)	(51,092)	-	(651,271)
At 30 June 2017	(15,405)	(355,161)	(2,662)	(250,175)	(44,857)	-	(668,260)
At 1 July 2017	(15,405)	(355,161)	(2,662)	(250,175)	(44,857)	-	(668,260)
At 30 June 2018	(18,961)	(444,694)*	(3,056)	(226,232)	(45,630)	-	(738,573)
Net carrying amount							
At 1 July 2016	237,162	2,427,831	3,571	401,049	21,820	13,872	3,105,305
At 30 June 2017	233,857	2,343,674	3,182	358,999	19,960	18,911	2,978,583
At 1 July 2017	233,857	2,343,674	3,182	358,999	19,960	18,911	2,978,583
At 30 June 2018	233,377	2,254,285	2,788	333,159	16,229	18,243	2,858,081

* The balance includes an impairment loss of \$5m. Refer Note 9.1

Notes to the Financial Statements for the year ended 30 June 2018

Note 9 Property, plant and equipment (continued)

9.3 Valuation of property, plant and equipment

Independent valuers performed a fair value assessment for each class of assets to confirm the carrying value materially reflects the fair value at 30 June 2018.

All the asset categories also include assets under finance lease arrangements.

The following table details information on the revaluation activities undertaken:

Category	Valuer	Valuation technique	Date of revaluation	Revaluation increment / (decrement)
Building	Advisian	Cost approach*	1 Nov 2014	\$21m
Rolling stock	SNC Lavalin	Cost approach*	1 Jan 2014	\$426m
Plant & machinery	Rod Hyman Asset Services Pty Limited	Cost approach*	1 Jan 2014	\$0.25m

*The cost approach refers to depreciated replacement cost.

9.4 Leasing arrangements – certain rolling stock

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

Note to the Financial Statements for the year ended 30 June 2018

Note 10 Intangible assets

10.1 Classes

	30.6.2018 \$'000	30.6.2017 \$'000
Software / Licenses		
Gross carrying amount	433,599	430,746
Less accumulated amortisation	(315,063)	(294,799)
Net carrying amount of software / licenses work in progress	118,536	135,947
Software / licenses works in progress	37,155	39,046
Total - intangible assets	155,691	174,993

10.2 Movements during the year

	Software / Licenses \$'000	Software / Licenses works in progress \$'000	Total \$'000
2018			
Net carrying amount at start of year	135,947	39,046	174,993
Additions	-	16,884	16,884
Disposals/write-offs	(299)	(529)	(828)
Amortisation expense	(35,358)	-	(35,358)
Other movements	18,246	(18,246)	-
Net carrying amount at end of year	118,536	37,155	155,691
2017			
Net carrying amount at start of year	177,952	21,398	199,350
Additions	-	16,572	16,572
Disposals/write-offs	(1,158)	-	(1,158)
Amortisation expense	(39,771)	-	(39,771)
Other movements	(1,076)	1,076	-
Net carrying amount at end of year	135,947	39,046	174,993

Note to the Financial Statements for the year ended 30 June 2018

Note 11 Trade and other payables

11.1 Trade and other payables

	30.6.2018 \$'000	30.6.2017 \$'000
Trade payables	150,357	33,383
Inter entity payables	31,230	58,623
Capital expenditure accruals	4,351	2,787
Accrued salaries, wages and oncosts	36,309	32,171
Other payables and accruals	268,210	252,830
Unearned revenue	5,239	4,827
Total trade and other payables	495,696	384,621

11.2 Fair value

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

11.3 Risk exposure

Information about Sydney Trains exposure to payables with a foreign exchange risk is provided in Note 18.

Note 12 Finance lease liabilities

12.1 Finance lease liabilities

	Note	30.6.2018 \$'000	30.6.2017 \$'000
Current			
Finance lease liabilities	15.2	-	-
Non-current			
Finance lease liabilities	15.2	2,036,625	2,027,291
		2,036,625	2,027,291
Total finance lease liabilities		2,036,625	2,027,291

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

12.2 Changes in liabilities arising from financing activities

	1.7.2017 \$'000	Cash flows \$'000	Non cash changes \$'000	30.6.2018 \$'000
Finance leases	2,027,291	-	9,334	2,036,625
Total liabilities from financing activities	2,027,291	-	9,334	2,036,625

Notes to the Financial Statements for the year ended 30 June 2018

Note 13 Provisions

13.1 Provisions

	Note	30.6.2018 \$'000	30.6.2017 \$'000
Current provisions			
Annual leave (see note (a) below)		137,369	134,376
Long service leave (see note (a) below)	13.2	223,246	217,428
Pay in lieu of certain holidays worked (see note (a) below)		9,515	9,272
Workers' compensation	13.4	7,431	6,439
Redundancy	13.8	12,870	23,436
Total employee benefits and related on-costs		390,431	390,951
Public liability claims	13.5	3,340	2,013
Legal claims	13.6	3,000	1,500
Ballast disposal	13.7	1,529	1,364
Restoration of leased premises	13.9	5,674	6,270
Provision for repair	13.10	5,000	-
Total other provisions		18,543	11,147
Total current provisions		408,974	402,098
Non-current provisions			
Superannuation	20.0	446,386	448,232
Long service leave (see note (a) below)	13.2	21,401	20,796
Workers' compensation	13.4	25,501	21,220
Total employee benefits and related on-costs		493,288	490,248
Restoration of leased premises	13.9	3,815	4,150
Total other provisions		3,815	4,150
Total non-current provisions		497,103	494,398
Total provisions			
Superannuation	20.0	446,386	448,232
Annual leave		137,369	134,376
Long service leave	13.2	244,647	238,224
Pay in lieu of certain holidays worked		9,515	9,272
Workers' compensation	13.4	32,932	27,659
Redundancy	13.8	12,870	23,436
Total employee benefits and related on-costs		883,719	881,199
Public liability claims	13.5	3,340	2,013
Legal claims	13.6	3,000	1,500
Ballast disposal	13.7	1,529	1,364
Restoration of leased premises	13.9	9,489	10,420
Provision for repair	13.10	5,000	-
Total other provisions		22,358	15,297
Total provisions		906,077	896,496

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 13 Provisions (continued)

13.1 Provisions (continued)

	Within 12 months \$'000	Later than 12 months \$'000	Total \$'000
2018			
Long service leave	16,225	228,422	244,647
Annual leave	104,640	32,729	137,369
Pay in lieu of certain holidays worked	9,515	-	9,515
	130,380	261,151	391,531
2017			
Long service leave	29,513	208,711	238,224
Annual leave	94,390	39,986	134,376
Pay in lieu of certain holidays worked	9,272	-	9,272
	133,175	248,697	381,872

13.2 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 Mercer Consulting (Australia) Pty Limited. The actuary assumed an interest rate of 2.60% (2017: 2.54%) and a salary growth rate of 3.0% (2017: 2.5%) per annum.

Notes to the Financial Statements for the year ended 30 June 2018

Note 13 Provisions (continued)

13.3 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of year \$'000	Increase in provision \$'000	Discounting adjustment \$'000	Subtotal \$'000	Payment of claims \$'000	Unused amount reversed \$'000	Carrying amount at end of period \$'000
2018							
Public liability claims	2,013	4,022	-	6,035	(2,331)	(364)	3,340
Legal claims	1,500	1,625	-	3,125	(125)	-	3,000
Ballast disposal	1,364	6,754	-	8,118	(6,589)	-	1,529
Restoration of leased premises	10,420	-	141	10,561	(59)	(1,013)	9,489
Provision for repair	-	5,000	-	5,000	-	-	5,000
2017							
Public liability claims	684	2,334	-	3,018	(937)	(68)	2,013
Legal claims	2,000	437	-	2,437	(937)	-	1,500
Ballast disposal	1,240	3,083	-	4,323	(2,959)	-	1,364
Restoration of leased premises	10,252	226	(58)	10,420	-	-	10,420

13.4 Workers' compensation

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

The workers' compensation liability at year end was assessed by McMahon Actuarial Services Pty Limited assuming a discount rate ranging from 1.9 % to 4.0% (2017: 1.7% to 4.0%) per annum over the next 10 years and a future wage inflation rate of 2.5% for year 1 (2017: 2.5%), 3.0% for year 2 (2017: 3%) and 3.5% per annum up to year 10 (2017: 3.5%).

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

13.5 Public liability claims

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

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

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

13.6 Legal claims

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 13 Provisions (continued)

13.7 Ballast disposal provision

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

The liability was assessed at 9 April 2018 (2017: 3 April 2017) by management after investigation of stockpiles at the Chullora site. The timing of the liability is inherently uncertain due to the timing of future disposal.

13.8 Redundancy

A provision has been established for the cost of Sydney Trains' redundancy programs. Sydney Trains has various initiatives and reform activity that will result in redundancies. The exact timing and the amount of the payment is uncertain.

13.9 Restoration of leased premises

The provision recognises Sydney Trains' obligation to restore premises leased from external parties to their original condition at the end of the lease term. The liability at year end is management's assessment of the costs to settle the obligation. The exact timing and amount of the liability is not certain.

13.10 Provision for repair

The provision recognises Sydney Trains' obligation to repair damaged rolling stock currently under lease with Reliance Rail. The timing of the outflow is uncertain as the repair work is yet to be undertaken. Sydney Trains has impaired the rolling stock as it is currently out of service. Refer Note 9.1.

Note 14 Contributed equity

14.1 Contributed equity

	Note	30.6.2018 \$'000	30.6.2017 \$'000
Contributed equity at start of the year		1,184,739	1,207,094
Net assets contributed by Government	14.2	(8,380)	(22,355)
Contributed equity at end of the year		1,176,359	1,184,739

14.2 Contributed equity movements

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

Sydney Trains transferred rolling stock of \$8.4m to RailCorp in the current year (2017: 22.4m).

Assets transferred to/ from other entities			
Property, plant and equipment		(8,380)	(22,355)
Total assets		(8,380)	(22,355)
Total liabilities		-	-
Net assets transferred		(8,380)	(22,355)
Contributed equity		(8,380)	(22,355)

Notes to the Financial Statements for the year ended 30 June 2018

Note 15 Expenditure commitments

15.1 Expenditure commitments

Future minimum rentals payables under non-cancellable operating lease as at 30 June are as follows:

	30.6.2018 \$'000	30.6.2017 \$'000
Operating leases		
Within 12 months	9,325	7,605
12 months or longer but not longer than 5 years	21,189	7,617
Longer than 5 years	861	295
Total operating leases	31,375	15,517
Total property, plant & equipment (including intangible assets)	6,933	4,357
Total committed	38,308	19,874

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$3.5m (2017: \$1.8m) are expected to be recoverable from the Australian Taxation Office. For more details on rolling stock PPP contract commitments refer Note 15.2.

Notes to the Financial Statements for the year ended 30 June 2018

Note 15 Expenditure commitments (continued)

15.2 Rolling stock PPP contract commitments

The Sydney Trains contract with Reliance Rail constitutes a finance lease, refer Note 2.17(i). These assets and associated finance lease liabilities were recognised on completion and delivery of the assets.

The leased asset includes the following assets:

- 78 sets of Rolling Stock achieved Final Completion on 8 March 2016. Milestone payments made in respect of design and development of the rolling stock have been applied to the rolling stock lease liability. The lease liability, inclusive of the application of the milestone payment and accrued interest at 30 June 2018 was \$1,766.0m (2017: \$1,756.9m),
- The Auburn Maintenance Facility (AMF) reached practical completion on 18 June 2010. The lease liability, inclusive of accrued interest, at 30 June 2018 was \$265.7m (2017: \$265.5m), and
- The Simulators achieved practical completion on 30 September 2010. The lease liability, inclusive of accrued interest, at 30 June 2018 was \$4.9m (2017: \$4.9m).

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

The total payments to be made by Sydney Trains to Reliance Rail, including milestone payments and financing costs, over the term of the contract are estimated to be \$8,130m (2017: \$8,426m) in nominal dollars. The weighted average discount rate at 30 June 2018 for the finance lease liabilities were 9.29% (2017: 9.29%).

Interest of \$9.3m (2017: \$11.5m) has been accrued in respect to the finance lease liability for the rolling stock, maintenance facility and simulators.

Notes to the Financial Statements for the year ended 30 June 2018

Note 15 Expenditure commitments (continued)

15.2 Rolling stock PPP contract commitments (continued)

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

	Note	30.6.2018 \$'000	30.6.2017 \$'000
Finance lease liabilities			
Within 12 months		172,055	168,679
12 months or longer but no longer than 5 years		725,759	710,803
Longer than 5 years		4,485,252	4,672,262
Total minimum lease payments		5,383,066	5,551,744
Less amount representing finance charges		(3,346,441)	(3,524,453)
Present value of net future minimum lease payments (included in the Financial Statements as finance lease liabilities)		2,036,625	2,027,291
Classified as:			
Current	12	-	-
Non-current	12	2,036,625	2,027,291
Total		2,036,625	2,027,291
Other PPP contract commitments			
Within 12 months		92,405	94,336
12 months or longer but no longer than 5 years		371,680	369,361
Longer than 5 years		2,283,631	2,410,929
Total other PPP contract commitments		2,747,716	2,874,626

Other PPP contract commitments represent future payments relating to maintenance and other future payments as at 30 June 2018.

Note 16 Contingent liabilities and contingent assets

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Sydney Trains.

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

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

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

Contingent assets represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled.

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 17 Fair value measurements of non-financial assets

17.1 Fair value measurements of non-financial assets

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

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

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2018.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2018				
Plant and machinery	-	336	18,682	19,018
Rolling stock	-	-	2,587,443	2,587,443
Building	-	-	233,377	233,377
Total recurring fair value measurements	-	336	2,839,502	2,839,838
2017				
Plant and machinery	-	537	22,605	23,142
Rolling stock	-	-	2,702,673	2,702,673
Building	-	-	233,857	233,857
Total recurring fair value measurements	-	537	2,959,135	2,959,672

All the asset categories also include assets under finance lease arrangements.

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

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

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

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

17.2 Valuation techniques used to derive level 3 fair values

Recurring fair value measurements

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 17 Fair value measurements of non-financial assets (continued)

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

The following table is a reconciliation of level 3 items for the period ended 30 June 2018.

	Plant and machinery	Rolling stock	Building	Total
	\$'000	\$'000	\$'000	\$'000
2018				
Fair value at 1 July 2017	22,605	2,702,673	233,857	2,959,135
Additions vested to RailCorp	-	(8,380)	-	(8,380)
Additions	246	142	3,076	3,464
Disposals/transfers out	(151)	-	-	(151)
Gains/(losses) recognised in the Statement of Comprehensive Income*	(4,018)	(101,992)	(3,556)	(109,566)
Gains/(losses) recognised in Other Comprehensive Income**	-	(5,000)	-	(5,000)
Fair value at 30 June 2018	18,682	2,587,443	233,377	2,839,502
2017				
Fair value at 1 July 2016	25,391	2,828,880	237,162	3,091,433
Additions	-	-	-	-
Disposals/transfers	88	(22,355)	-	(22,267)
Gains/(losses) recognised in the Statement of Comprehensive Income*	(2,874)	(103,852)	(3,305)	(110,031)
Fair value at 30 June 2017	22,605	2,702,673	233,857	2,959,135

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

** Gains/losses recognised in Other Comprehensive Income relates to the asset revaluation reserve.

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

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

Valuation inputs and relations to fair value

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

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 18 Financial instruments

18.1 Financial instruments

Sydney Trains holds the following financial instruments:

	Category	30.6.2018 \$'000	30.6.2017 \$'000
Financial assets			
Cash and cash equivalents	N/A	364,365	288,403
Trade and other receivables*	Loans & receivables at amortised cost	225,411	259,517
	Financial assets at fair value through profit or loss	4,897	347
Derivative financial assets	Loans & receivables at amortised cost	200,000	200,000
Other financial assets			
Total financial assets		794,673	748,267
Financial liabilities			
Trade and other payables**	Financial liabilities at amortised cost	435,476	346,661
Finance leases	Financial liabilities at amortised cost	2,036,625	2,027,291
	Financial liabilities at fair value through profit or loss	469	3,764
Derivative financial liabilities			
Total financial liabilities		2,472,570	2,377,716

* 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*

18.2 Financial risks

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

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

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

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

18.3 Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. This applies to Sydney Trains' foreign exchange, interest rate and commodity price hedging instruments. Sensitivity analysis on market risk is based on price variability taking into account the economic environment in which Sydney Trains operates and the time frame for assessment, that is, until the end of the next reporting period. The sensitivity analysis is based on financial instruments held at the balance date. The analysis assumes that all other variables remain constant.

Notes to the Financial Statements for the year ended 30 June 2018

Note 18 Financial instruments (continued)

18.3 Market risk (continued)

18.3.1 Foreign exchange risk

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

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

Purchases involving foreign currency risk exposure that exceeds an aggregate of AUD 100,000, are required to be reviewed prior to signing to assess the financial risk and formulate strategies to manage the risk. Sydney Trains confirms a budget rate with project managers based on current forward prices and hedging strategies implemented. Counterparty risk is minimised by conducting all foreign exchange transactions with eligible counterparties, refer Note 18.4.

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

Maturity Profiles	Weighted Average Exchange Rate		Contract Value		Fair Value	
	2018	2017	2018 S'000	2017 S'000	2018 S'000	2017 S'000
Contracts denominated in US Dollars						
Not later than 3 months	0.7372	0.7528	3,299	3,978	3,308	3,894
Later than 3 months and not later than 12 months	0.7326	0.7433	9,523	8,764	9,474	8,491
Later than 12 months	0.7629	0.7154	5,697	9,797	5,869	9,191
Total hedged US Dollar contracts			18,519	22,539	18,651	21,576
Contracts denominated in Euros						
Not later than 3 months	0.6327	0.6894	1,811	834	1,799	856
Later than 3 months and not later than 12 months	0.6141	-	2,506	-	2,462	-
Later than 12 months	-	-	-	-	-	-
Total hedged Euros contracts			4,317	834	4,261	856
Contracts denominated in Pounds Sterling						
Not later than 3 months	-	0.5710	-	32	-	31
Later than 3 months and not later than 12 months	0.5600	0.5661	1,168	1,511	1,164	1,456
Later than 12 months	-	0.5571	-	1,347	-	1,296
Total hedged Pounds Sterling contracts			1,168	2,890	1,164	2,783
Net present value adjustment					(8)	49
Total hedged purchase *			24,004	26,263	24,068	25,264

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 18 Financial instruments (continued)

18.3 Market risk (continued)

18.3.1 Foreign exchange risk (continued)

Foreign exchange risk sensitivity analysis

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

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

Based on the financial instruments held at 30 June 2018, had the AUD spot price weakened/strengthened by 10% against currencies in which contracts are held, with all other variables held constant, the impact on Comprehensive Income is shown in the table below.

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

Decrease of 10%	Surplus / deficit Higher/(Lower)		Equity Higher/(Lower)	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
US Dollars	-	-	(1,702)	(1,952)
Euros	-	-	(384)	(78)
Pounds Sterling	-	-	(105)	(250)
Total	-	-	(2,191)	(2,280)

Increase of 10%	Surplus/deficit Higher/(Lower)		Equity Higher/(Lower)	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
US Dollars	-	-	2,079	2,385
Euros	-	-	469	95
Pounds Sterling	-	-	129	305
Total	-	-	2,677	2,785

Notes to the Financial Statements for the year ended 30 June 2018

Note 18 Financial instruments (continued)

18.3 Market risk (continued)

18.3.2 Commodity price risk

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

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

Sydney Trains purchases its electricity under a fixed price contract. Sydney Trains has entered into a 4 year fixed term contract ending 30 June 2021. Sydney Trains' policy for electricity hedging is similar to distillate operations however electricity hedging applies only to periods not under contract. 50 - 100% of exposures are required to be hedged in year 1. Up to 60% of exposures can be hedged in year 2 and up to 40% in year 3. Hedges are subsequently closed out once a fixed price contract is in place.

At 30 June 2018 there were only commodity hedge contracts in place for distillate purchases.

Maturity profiles	Contract Value		Fair Value	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Not later than 1 year				
Favourable	9,945	724	12,927	862
Non-favourable	2,573	11,343	2,531	9,360
	12,518	12,067	15,458	10,222
Between 1 and 5 years				
Favourable	5,868	3,372	7,377	3,445
Non-favourable	-	5,819	-	5,168
	5,868	9,191	7,377	8,613
Net present value adjustment			(87)	34
Total commodity swap contracts *	18,386	21,258	22,748	18,869

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 18 Financial Instruments (continued)

18.3 Market risk (continued)

18.3.2 Commodity price risk (continued)

Commodity price risk sensitivity analysis

Based on contracts in place at 30 June 2018, had the Singapore Gas Oil spot price weakened/strengthened by 10%, with all other variables held constant, the impact on Comprehensive Income is shown in the table below:

	Change in unit price	Surplus/deficit		Equity	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Commodity	-10%	-	-	(2,297)	(1,830)
Commodity	+10%	-	-	2,297	1,830

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

18.3.3 Interest rate risk

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

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

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

	Interest Rate		Principal Amount	
	2018 %	2017 %	2018 \$'000	2017 \$'000
Financial assets				
Not later than 1 year				
Cash at bank	1.50	1.50	364,365	288,403
Other financial assets	2.55	2.56	200,000	200,000
Total financial assets			564,365	488,403
Financial liabilities				
Not later than 1 year				
Finance lease	-	-	-	-
Between 1 and 5 years				
Finance lease	-	-	5,902	1,787
Later than 5 years				
Finance lease	-	-	2,030,723	2,025,504
Total financial liabilities			2,036,625	2,027,291
Net exposure			2,600,990	2,515,694

Interest rate risk is not applicable to the finance lease

Notes to the Financial Statements for the year ended 30 June 2018

Note 18 Financial instruments (continued)

18.3 Market risk (continued)

18.3.3 Interest rate risk (continued)

Interest rate sensitivity analysis

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

	Carrying Amount \$'000	Surplus/deficit \$'000		Equity \$'000	
		-1%	+1%	-1%	+1%
2018					
Cash at bank	364,365	(3,644)	3,644	(3,644)	3,644
Other financial assets	200,000	(2,000)	2,000	(2,000)	2,000
2017					
Cash at bank	288,403	(2,884)	2,884	(2,884)	2,884
Other financial assets	200,000	(2,000)	2,000	(2,000)	2,000

Investment

Sydney Trains held funds with Westpac Banking Corporation for operational purposes at 30 June 2018. The facility is designated at cost. Therefore any changes in price impacts on surplus and deficit (rather than comprehensive income). The deposits at balance date were earning an average interest rate of 1.87% (2017: 1.89%) while over the year the average interest rate was 1.85% (2017: 1.69%) on an average balance during the year of \$615.2m (2017: \$546.8m).

18.4 Credit risk

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

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

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

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

Sydney Trains held \$364.4m (2017: \$288.4m) in cash at bank at 30 June 2018. This was held with Westpac Banking Corporation.

Notes to the Financial Statements for the year ended 30 June 2018

Note 18 Financial instruments (continued)

18.4 Credit risk (continued)

Derivatives

In relation to foreign exchange contracts and commodity swap transactions, Sydney Trains only transacts with counterparties with a Standard & Poor's long-term credit rating of A or greater. Sydney Trains held \$4.9m (2017: \$0.3m) in derivative financial assets and \$0.5m (2017: \$3.8m) in derivative financial liabilities.

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

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

Trade receivables

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

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

18.5 Liquidity risk

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

Credit standby arrangements are shown at Note 5.3.

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

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 18 Financial instruments (continued)

18.5 Liquidity risk (continued)

	Carrying Amount \$'000	Contract Cash flow \$'000	Less than 1 Year \$'000	Between 1 and 5 Years \$'000	Over 5 Years \$'000
30 June 2018					
Financial liabilities					
Trade and other payables	435,476	435,476	435,476	-	-
Finance lease liability	2,036,625	5,383,066	172,055	725,759	4,485,252
	2,472,101	5,818,542	607,531	725,759	4,485,252
Derivatives					
Forward exchange contracts outflow	(24,077)	(24,004)	(18,307)	(5,697)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(22,835)	(18,386)	(12,518)	(5,868)	-
Commodity swap contracts inflow	-	-	-	-	-
	(46,912)	(42,390)	(30,825)	(11,565)	-
30 June 2017					
Financial liabilities					
Trade and other payables	346,661	346,661	346,661	-	-
Finance lease liability	2,027,291	5,551,745	168,679	710,803	4,672,263
	2,373,952	5,898,406	515,340	710,803	4,672,263
Derivatives					
Forward exchange contracts outflow	(25,215)	(26,265)	(15,120)	(11,145)	-
Forward exchange contracts inflow	-	-	-	-	-
Commodity swap contracts outflow	(18,835)	(21,258)	(12,067)	(9,191)	-
Commodity swap contracts inflow	-	-	-	-	-
	(44,050)	(47,523)	(27,187)	(20,336)	-

18.6 Fair value compared to carrying amount

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 18 Financial instruments (continued)

18.6 Fair value compared to carrying amount (continued)

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

There were no transfers between levels 1 and 2 and levels 2 and 3 during the current period.

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

	Fair value \$'000	Carrying value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Fair value at 30 June 2018					
Financial assets					
Foreign exchange contracts	11,876	11,372	-	11,876	-
Commodity swap contracts	20,304	15,813	-	20,304	-
Total financial assets	32,180	27,185	-	32,180	-
Financial liabilities					
Foreign exchange contracts	12,201	12,632	-	12,201	-
Commodity swap contracts	2,531	2,573	-	2,531	-
Total financial liabilities	14,732	15,205	-	14,732	-
Fair value at 30 June 2017					
Financial assets					
Foreign exchange contracts	3,300	3,160	-	3,300	-
Commodity swap contracts	4,306	4,096	-	4,306	-
Total financial assets	7,606	7,256	-	7,606	-
Financial liabilities					
Foreign exchange contracts	21,915	23,105	-	21,915	-
Commodity swap contracts	14,529	17,161	-	14,529	-
Total financial liabilities	36,444	40,266	-	36,444	-

Notes to the Financial Statements for the year ended 30 June 2018

Note 19 Related parties

19.1 Key management personnel compensation

During 2017-18, Sydney Trains incurred \$6.1m (2017: \$4.6m) in respect of key management personnel services provided by Transport Service NSW.

19.2 Transactions & outstanding balances with key management personnel

During 2017-18 Sydney Trains did not enter into transactions with its key management personnel including the key management personnel of the parent (2017: nil).

19.3 Transactions with government related entities during the year

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

The following transactions are significant either individually or in aggregate:

Nature of Transaction	Agency	Value \$'000
2017-18		
Access rights to rail network, stations and property	RailCorp	No charge
Routine maintenance services	RailCorp	No charge
Operating subsidies	TfNSW	1,327,112
Rolling stock transferred out at fair value of \$8.4m	RailCorp	No charge
Contribution to fund operating activities	RailCorp	62,500
Cost recoveries for services provided to transport entities including maintenance activities for NSW Trains	NSW Trains RailCorp TfNSW RMS	675,439
Construction revenue	RailCorp	453,540
Defined benefit superannuation liability	SAS Trustee Corporation	446,386
2016-17		
Access rights to rail network, stations and property	RailCorp	No charge
Routine maintenance services	RailCorp	No charge
Operating subsidies	TfNSW	1,251,268
Rolling stock transferred out at fair value of \$22.4m	RailCorp	No charge
Cost recoveries for services provided to transport entities including maintenance activities for NSW Trains	NSW Trains RailCorp TfNSW RMS	598,421
Construction revenue	RailCorp	577,081
Defined benefit superannuation liability	SAS Trustee Corporation	448,232

19.4 Transactions and outstanding balances with other related parties

During 2017-18, Sydney Trains did not engage in any transactions / have outstanding balances with other related parties (2017: nil).

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation

Overview

Employer contributions are made to 3 defined-benefit superannuation schemes. An underfunded scheme is recognised as a provision and an overfunded scheme is recognised as an asset. Details of both provisions and assets are given below.

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

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

All the schemes are closed to new members.

Notes to the Financial Statements for the year ended 30 June 2018

20 Superannuation (continued)

Description of the regulatory framework

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The actuary has commenced work on the 30 June 2018 investigation.

Unless otherwise indicated, the paragraph references in Note 20 refer to AASB 119 *Employee Benefits*.

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

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

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

Description of risks

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

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

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

Description of significant events

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

Notes to the Financial Statements for the year ended 30 June 2018

20 Superannuation (continued)

30 June 2018

The following pages contain disclosures from the 2018 Pillar Administrator letter.

The following is the 30 June 2018 superannuation position:

Member Numbers	SASS 30-Jun-18	SANCS 30-Jun-18	SSS 30-Jun-18	TOTAL 30-Jun-18
Contributors	1,190	1,191	1	
Deferred benefits	-	-	-	
Pensioners	211	-	3	
Pensions fully commuted	-	-	-	
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	1,136,719	97,961	8,239	1,242,919
Estimated reserve account balance	(729,480)	(63,767)	(3,286)	(796,533)
1. Deficit/(surplus)	407,239	34,194	4,953	446,386
2. Future Service Liability (Note 2)	28,662	25,230	161	54,053
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	407,239	34,194	4,953	446,386

Note 1:

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

Note 2:

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net Defined Benefit Liability/(Asset) at start of year	407,304	35,917	5,011	448,232
Current service cost	11,545	3,918	70	15,533
Net Interest on the net defined benefit liability/(asset)	10,561	886	134	11,581
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(32,735)	(1,438)	(200)	(34,373)
Actuarial (gains)/losses arising from changes in demographic assumptions	32,764	(1,383)	58	31,439
Actuarial (gains)/losses arising from changes in financial assumptions	(2,852)	(138)	(38)	(3,028)
Actuarial (gains)/losses arising from liability experience	(2,648)	(3,568)	(82)	(6,298)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(16,700)	-	-	(16,700)
Effects of transfers in/out due to business combinations and disposals	-	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	407,239	34,194	4,953	446,386

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of Fund assets at beginning of the year	731,731	70,864	3,024	805,619
Interest income	18,382	1,782	75	20,239
Actual return on Fund assets less Interest income	32,735	1,438	200	34,373
Employer contributions	16,700	-	-	16,700
Contributions by participants	8,149	-	57	8,206
Benefits paid	(77,211)	(10,451)	(67)	(87,729)
Taxes, premiums & expenses paid	(1,006)	134	(3)	(875)
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	729,480	63,767	3,286	796,533

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	1,139,035	106,781	8,035	1,253,851
Current service cost	11,545	3,918	70	15,533
Interest cost	28,943	2,668	209	31,820
Contributions by participants	8,149	-	57	8,206
Actuarial (gains)/losses arising from changes in demographic assumptions	32,764	(1,383)	58	31,439
Actuarial (gains)/losses arising from changes in financial assumptions	(2,852)	(138)	(38)	(3,028)
Actuarial (gains)/losses arising from liability experience	(2,648)	(3,568)	(82)	(6,298)
Benefits paid	(77,211)	(10,451)	(67)	(87,729)
Taxes, premiums & expenses paid	(1,006)	134	(3)	(875)
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	1,136,719	97,961	8,239	1,242,919

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

Fair value of Fund assets - Para 142

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

As at 30 June 2018	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	unobservable inputs Level 3
Asset category	\$'000	\$'000	\$'000	\$'000
Short Term Securities	4,401,164	2,185,469	2,215,695	-
Australian Fixed Interest	2,234,921	41,853	2,193,068	-
International Fixed Interest	1,396,107	8,116	1,387,991	-
Australian Equities	9,271,405	8,719,442	548,908	3,055
International Equities	10,891,350	8,499,476	2,391,501	373
Property	3,711,287	788,018	608,934	2,314,335
Alternatives	9,894,828	420,898	5,332,818	4,141,113
Total	41,801,063	20,663,272	14,678,915	6,458,876

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

As at	30-Jun-18
Short Term Securities	10.5%
Australian Fixed Interest	5.3%
International Fixed Interest	3.3%
Australian Equities	22.2%
International Equities	26.1%
Property	8.9%
Alternatives	23.7%
Total	100.0%

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

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

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

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

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

The fair value of the Pooled Fund assets as at 30 June 2018 includes \$97.7 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$280 million (30 June 2017: \$250 million).

Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$287 million (30 June 2017: \$261 million).

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date - Para 144

Discount rate	2.65%
Salary increase rate (excl. promotional increases)	2.7% pa for 2018/19; 3.2% pa thereafter.
Rate of CPI increase	2.25% pa for 2018/19 and 2019/20; 2.5% pa thereafter.
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2018 actuarial investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report which will be available on the Trustee's website when the investigation is complete. The report will show the pension mortality rates for each age. Alternatively, the assumptions are available on request from the Trustee.

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2018 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 2018.

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
Discount rate	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	1,242,919	1,394,309	1,120,671

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of Discount rate
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)	1,242,919	1,286,130	1,203,636

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above above rates plus 0.5%	as above above rates less 0.5%
Salary inflation rate	as above	pa	pa
Defined benefit obligation (\$'000)	1,242,919	1,267,873	1,219,031

	Base case	Scenario G Higher Mortality*	Scenario H Lower Mortality**
Defined benefit obligation (\$'000)	1,242,919	1,259,248	1,235,241

*Assumes the short term pensioner mortality improvement factors for years 2018-2023 also apply for years after 2023.

**Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2018 to 2023.

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 2018

Note 20 Superannuation (continued)

Asset-Liability matching strategies - Para 146

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

Funding arrangements - Para 147(a)

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

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

Surplus/deficit

The following is a summary of the 30 June 2018 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	769,230	76,816	3,573	849,619
Net market value of Fund assets	(729,480)	(63,767)	(3,286)	(796,533)
Net (surplus)/deficit	39,750	13,049	287	53,086

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

Contribution recommendations

Recommended contribution rates for the entity are:

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

Economic assumptions

The economic assumptions adopted for 30 June 2018 AASB 1056 Accounting Standard "Superannuation Entities" are (these assumptions are consistent with the assumptions to be used for the 2018 actuarial investigation of the Pooled Fund):

Weighted-Average Assumptions

Expected rate of return on Fund assets backing current pension liabilities			7.4% pa
Expected rate of return on Fund assets backing other liabilities			6.4% pa
Expected salary increase rate (excluding promotional salary increases)		2.7% for 2018/19; 3.2% pa thereafter	
Expected rate of CPI increase			2.2% pa

Expected contributions - Para 147(b)

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

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

The weighted average duration of the defined benefit obligation is 13.2 years.

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

Profit or Loss Impact

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	11,545	3,918	70	15,533
Net interest	10,561	886	134	11,581
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Profit or loss component of the Defined Benefit Cost	22,106	4,804	204	27,114

Other Comprehensive Income

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) losses on liabilities	27,264	(5,089)	(62)	22,113
Actual return on Fund assets less Interest income	(32,735)	(1,438)	(200)	(34,373)
Change in the effect of asset ceiling	-	-	-	-
Total remeasurement in Other Comprehensive Income	(5,471)	(6,527)	(262)	(12,260)

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

30 June 2017

The following pages contain disclosures from the 2017 Pillar Administration Letter.

The following is the 30 June 2017 superannuation position:

Member Numbers	SASS 30-Jun-17	SANCS 30-Jun-17	SSS 30-Jun-17	TOTAL 30-Jun-17
Contributors	1,335	1,338	3	
Deferred benefits	-	-	-	
Pensioners	166	-	1	
Pensions fully commuted	-	-	-	
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	1,139,035	106,781	8,035	1,253,851
Estimated reserve account balance	(731,731)	(70,864)	(3,024)	(805,619)
1. Deficit/(surplus)	407,304	35,917	5,011	448,232
2. Future Service Liability (Note 2)	-	-	-	-
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	407,304	35,917	5,011	448,232

Note 1:

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

Note 2:

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

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net Defined Benefit Liability/(Asset) at start of year	512,479	40,859	5,781	559,119
Current service cost	13,754	4,381	123	18,258
Net Interest on the net defined benefit liability/(asset)	10,085	813	115	11,013
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(49,829)	(4,775)	(193)	(54,797)
Actuarial (gains)/losses arising from changes in demographic assumptions	(16)	(154)	(5)	(175)
Actuarial (gains)/losses arising from changes in financial assumptions	(85,373)	(5,627)	(1,008)	(92,008)
Actuarial (gains)/losses arising from liability experience	17,583	419	198	18,200
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(11,378)	-	-	(11,378)
Effects of transfers in/out due to business combinations and disposals	-	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	407,305	35,916	5,011	448,232

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of Fund assets at beginning of the year	721,769	74,727	2,855	799,351
Interest income	13,829	1,387	56	15,272
Actual return on Fund assets less Interest income	49,830	4,775	193	54,798
Employer contributions	11,378	-	-	11,378
Contributions by participants	8,632	-	37	8,669
Benefits paid	(73,432)	(10,245)	(114)	(83,791)
Taxes, premiums & expenses paid	(275)	220	(3)	(58)
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	731,731	70,864	3,024	805,619

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

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

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of the year	1,234,248	115,586	8,636	1,358,470
Current service cost	13,754	4,381	123	18,258
Interest cost	23,914	2,201	171	26,286
Contributions by participants	8,632	-	37	8,669
Actuarial (gains)/losses arising from changes in demographic assumptions	(16)	(154)	(5)	(175)
Actuarial (gains)/losses arising from changes in financial assumptions	(85,373)	(5,627)	(1,008)	(92,008)
Actuarial (gains)/losses arising from liability experience	17,583	419	198	18,200
Benefits paid	(73,432)	(10,245)	(114)	(83,791)
Taxes, premiums & expenses paid	(275)	220	(3)	(58)
Transfers in/out due to business combinations and disposals	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	1,139,035	106,781	8,035	1,253,851

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

Fair value of Fund assets - Para 142

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

As at 30 June 2017	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	unobservable inputs Level 3
Asset category	\$'000	\$'000	\$'000	\$'000
Cash	3,087,307	3,077,362	9,945	-
Australian Fixed Interest	2,500,725	997	2,499,728	-
International Fixed Interest	480,991	-	480,991	-
Australian Equities	9,446,079	8,947,483	498,572	24
International Equities	12,053,503	9,033,497	1,869,112	1,150,894
Property	3,453,107	926,105	533,190	1,993,812
Alternatives	9,066,056	390,899	5,068,137	3,607,020
Total[^]	40,087,768	22,376,343	10,959,675	6,751,750

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

As at	30-Jun-17
Cash	7.7%
Australian Fixed Interest	6.2%
International Fixed Interest	1.2%
Australian Equities	23.6%
International Equities	30.1%
Property	8.6%
Alternatives	22.6%
Total	100.0%

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

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

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

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

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

The fair value of the Pooled Fund assets as at 30 June 2017 include \$354.0 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$250 million (30 June 2016: \$222 million).

Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$261 million (30 June 2016: \$243 million).

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

Significant Actuarial Assumptions at the Reporting Date - Para 144

Discount rate	2.62%
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis - Para 145

The entity's total defined benefit obligation as at 30 June 2017 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 2017.

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
Discount rate	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	1,253,851	1,404,765	1,131,999

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of Discount rate
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)	1,253,851	1,291,907	1,219,259

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above above rates plus 0.5%	as above above rates less 0.5%
Salary inflation rate	as above	pa	pa
Defined benefit obligation (\$'000)	1,253,851	1,283,562	1,225,563

	Base case	Scenario G Higher Mortality*	Scenario H Lower Mortality**
Defined benefit obligation (\$'000)	1,253,851	1,269,183	1,247,352

*Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021

**Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021

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 2018

Note 20 Superannuation (continued)

Asset-Liability matching strategies - Para 146

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

Funding arrangements - Para 147(a)

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

Surplus/deficit

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	766,472	78,935	3,679	849,086
Net market value of Fund assets	(731,730)	(70,865)	(3,024)	(805,619)
Net (surplus)/deficit	34,742	8,070	654	43,466

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

Contribution recommendations

Recommended contribution rates for the entity are:

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

Economic assumptions

The economic assumptions adopted for the 30 June 2017 AASB 1056 Accounting Standard "Superannuation Entities":

Weighted-Average Assumptions

Expected rate of return on Fund assets backing current pension liabilities			7.4% pa
Expected rate of return on Fund assets backing other liabilities			6.4% pa
Expected salary increase rate (excluding promotional salary increases)		2.7% to 30 June 2019 then 3.2% pa thereafter	
Expected rate of CPI increase			2.2% pa

Expected contributions - Para 147(b)

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

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

The weighted average duration of the defined benefit obligation is 12.6 years.

Notes to the Financial Statements for the year ended 30 June 2018

Note 20 Superannuation (continued)

Profit or Loss Impact

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	13,754	4,381	123	18,258
Net interest	10,085	813	115	11,013
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Profit or loss component of the Defined Benefit Cost	23,839	5,194	238	29,271

Other Comprehensive Income

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains) losses on liabilities	(67,806)	(5,362)	(815)	(73,983)
Actual return on Fund assets less Interest income	(49,829)	(4,775)	(193)	(54,797)
Change in the effect of asset ceiling	-	-	-	-
Total remeasurement in Other Comprehensive Income	(117,635)	(10,137)	(1,008)	(128,780)

Note 21 Events occurring after reporting date

There were no significant events occurring after the reporting period.

(End of audited financial statements)



INDEPENDENT AUDITOR'S REPORT

Sydney Trains

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Trains, which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of Sydney Trains as at 30 June 2018, and of its financial performance and its 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.

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in Sydney Trains' annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive of Sydney Trains is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Chief Executive.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Chief Executive is responsible for assessing Sydney Trains' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where Sydney Trains will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

My opinion does *not* provide assurance:

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



Margaret Crawford
Auditor-General of NSW

20 September 2018
SYDNEY



Sydney Trains

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Sydney NSW 2000
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